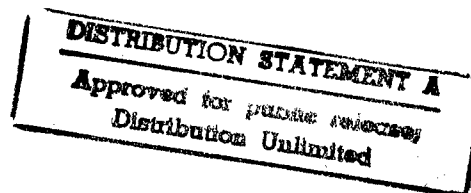


JPRS-EER-91-110
26 JULY 1991



JPRS Report

East Europe



DTIC QUALITY INSPECTED 3

REPRODUCED BY
U.S. DEPARTMENT OF COMMERCE
NATIONAL TECHNICAL
INFORMATION SERVICE
SPRINGFIELD, VA 22161

19980518 202

East Europe

JPRS-EER-91-110

CONTENTS

26 July 1991

BULGARIA

| | |
|--|---|
| Relations, Trade With USSR Analyzed [OTECHESTVEN VESTNIK 11 May] | 1 |
| BSP Official Views Agricultural Reform [SELSKAYA ZHIZN 11 Jul] | 2 |

CZECHOSLOVAKIA

| | |
|---|----|
| Warsaw Pact's Final Protocol Published [OBCANSKY DENIK 2 Jul] | 4 |
| Air Safety Agreement With Germany Signed [Prague Television] | 4 |
| Calfa Differs With Carnogursky Over Slovakia [CTK] | 4 |
| Conservative Parties To Consolidate [REPORTER 10 Jul] | 5 |
| Judiciaries in Dispute Over Slusovice | 6 |
| Press Reflects Transition to Democracy [REPORTER 10 Jul] | 7 |
| National Redistribution of Army Outlined [CTK] | 7 |
| Miller: Wage Laws To Reflect European Standards [HOSPODARSKE NOVINY 28 Jun] | 7 |
| Price Regulation Changes Effective 1 Jul 1991 [HOSPODARSKE NOVINY 28 Jun] | 9 |
| Sales Tax Rate Adjustments Effective 1 Jul 1991 [HOSPODARSKE NOVINY 4 Jul] | 10 |

HUNGARY

| | |
|--|----|
| Finance Minister Mihaly Kupa Interviewed [FIGYELO 4 Jul] | 12 |
| Large Sum Said 'Missing' From Energy Statistics [BESZELO 29 Jun] | 15 |
| Antall Urged To Rethink Country's Debt Servicing [SZENT KORONA 19 Jun] | 16 |
| OTP Branch in Chaos; Loan Terms Misrepresented [TALLOZO 14 Jun] | 17 |

POLAND

| | |
|---|----|
| Democratic Party To Run Alone in Elections [Warsaw Radio] | 19 |
| Officer Regrets Absence of Army Purge [TYGODNIK GDANSKI 30 Jun] | 19 |
| Farmers To Pay Dues in Kind as Protest [PAP] | 21 |

ROMANIA

| | |
|--|----|
| Dragan's Influence Network Examined [ROMANIA LIBERA 2 Jul] | 22 |
|--|----|

YUGOSLAVIA

| | |
|--|----|
| Shifts in Croatian Government Analyzed [DANAS 9 Jul] | 24 |
| Inefficiency, Other Problems Seen as Death of YPA [NIN 12 Jul] | 26 |
| YPA, Slovene Conflict Seen as War Within Army [BORBA 11 Jul] | 27 |

Relations, Trade With USSR Analyzed

91BA0797A Sofia OTECHESTVEN VESTNIK
in Bulgarian 11 May 91 p 2

[Article by Khristo Karlukovski: "The Soviet Market and Us"]

[Text] Has the Soviet Union declared an economic blockade against Bulgaria? This question has become a theme for discussions recently. Bringing this question onto the forestage of political life in Bulgaria shows that something is not right in the bilateral relations between the Soviet Union and Bulgaria. It is as if these relations have passed through some sort of watershed: A denial and rebukes remain from the past, and the future is alarming and unclear.

The tension, to which we are all witnesses today, formed its political face long before 10 November 1989. The statements by the then members of the Politburo were publicly well known—including those of Todor Zhivkov—that the serious situation in Bulgaria was due to the forced imposing in our country of a defective social model. With this model, socialism in the USSR for 70 years failed to equal the indexes of the social productivity of labor of those of capitalism's competitively developing market economy. And there was no question of exceeding those indexes.

These conclusions of the Bulgarian political bishops from that time proved to be rather vital. They grew luxuriant in the conduct of some of the politicians that were formed after 10 November from the opposition, as well as from the radical circles of the Bulgarian Socialist Party. For me, this is not surprising because, with the inertia of the past decades, without visas, an immense human mass passed the November political border of 1989 with unclear ideas, but well-stocked with a denial of what existed. From this mass, to make high political wages from the disatisfied and the impoverished, a hungry and frozen nation, impatient politicians were formed, who raised to the peaks of their ideological spikes a denial of everything connected with the Soviet Union. And this was not accidental because the serious situation in which we were living and in which we now live was a consequence of our behaviour as an unquestioning satellite over decades. But the same politicians, looking for political dividends from this theme, fell into the trap, against which they had built the foundations of their future presence in the society. This trap is called the economy.

I am not so naive as to think that a large number of the political men in Bulgaria today, irrespective of their party color, do not read with alarm the severity of the real facts, and, indeed, nearly 70 percent of the our national economy is directly bound to the markets and raw materials of our "big brother" of yesterday. More than 25 percent of the management personnel in economics, science, and organizations in social-political and economic life graduated from higher educational institutions and completed specializations in the Soviet

Union. These same people are in their positions regardless of the slogans they shout. But many of them carry in their conduct died grasps from their education.

A few days ago Minister Ivan Kostov announced that the debt of the industrial and trade firms to the banks was more than 18 billion levs. In other words, industrial production has fluctuated. One of the leading causes for this is the market organization of the produced goods. It is no secret that Bulgarian industrial production has a low quality. And one of the reasons for this is the Soviet market that, until now, was merciful, absorbing whatever goods that were sold to it. The Soviet market's omnivorous readiness corrupted Bulgarian producers. It created among them a complex of guiltlessness and security. If we accept that on the market there was always something leading to our situation today, that does not entirely mean setting things completely right for the producers. The question for their past and present morale is of no small importance. Now we are paying dearly for this morale.

Recently they told me that the warehouses for our canning enterprises are filled to capacity with products destined for the Soviet market. Why are these goods not exported? And the new manufacturing campaign will begin after one to two months. According to statistics, more than 200,000 Bulgarian families participate directly with their labor in the preparation of canning production. With the closure of the Soviet market, they will have to bear the consequences. These are the producers of the raw material, working in the glass and packing industry, workers involved with the direct canning production, like track runners, and not in last place, and the families of the businessmen that sell Bulgarian canned goods. This is in a linear plan. Indirectly, in exchange for these unexported canned goods, raw materials and goods will not be imported, which for its part will endanger the social situation of other hundreds of thousands of Bulgarian citizens.

They also call Denmark the "the bacon kingdom of England." But, with its population of 4 million, it has shown during the last decade of the 20th century one of the highest and most stable living standards. Here the question is why, over the course of decades, have our authorities handed over our national interests without a murmur? The oaths of brotherhood and eternal friendship with the USSR cannot replace the systematic impoverishment of our country, done with the signatures of the members of not one and two ministerial councils. And today's vulgar appeals for a breaking of ties to the Soviet Union betrays political illiteracy, the payment for which falls again on the shoulders of the nation. I suppose that these appeals might be a smoke screen, which hides the search for personal and collective blame, but that is another subject. The present model of Bulgarian-Soviet ties is undoubtedly built on discriminatory principles. Taking it into the waters of equality and mutual benefit is the ford we will have to cross in two ways. In this objective reality, I do not exclude the presence of certain powers, who, according to the old

model of imperial imposing of one's will, consider that Bulgaria should be punished for its attempts at political independence and reorientation toward a market economy. But these powers are historically doomed, and that is a question of time.

In spite of the calls by some politicians-day laborers in Bulgaria and the USSR for a strain in bilateral relations, I am an optimist. The forthcoming visits to the Soviet Union by our government leaders show that the government is not a slave to passing emotions. On the contrary. Responsibly and soberly, it is seeking ways for these bilateral relations to be taken out of their present zone of severity and placed on some new foundations, rendered as a perspective as well as a historical tradition. This advanced stage also includes an agreement between the two countries. Searching for a model for the new mutual relations is a part of the general context of the mutual relations between Eastern Europe and the Soviet Union. It is also a part of the common European process for building a future united Europe. Evidence of this are the direct agreements of the most notable political figures of the Old Continent—the past visit to Moscow by Mitterrand, and the forthcoming visits by Margaret Thatcher, Giulio Andreotti, and Lech Walesa. Not one authoritative Western political figure today imagines the world and Europe without cooperation with the Soviet Union. An exception is possibly a few of our pubescent parliament members. Turning toward its future in Europe, Bulgaria cannot betray national wisdom; when you begin to dig a new well, you do not spit in the old one.

In the relations between states, love at first sight and hate at one word are not advisable. He who forgets this makes a historical mistake.

BSP Official Views Agricultural Reform

*91BA0894A Moscow SELSKAYA ZHIZN in Russian
11 Jul 91 p 3*

[Interview with Dimitur Yonchev, deputy chairman of the Bulgarian Socialist Party Supreme Council, by SELSKAYA ZHIZN correspondent Yuriy Savin and TASS correspondent Aleksandr Stepanenko: "From a 'Party of the People' to a 'Party for the People'"]

[Excerpts] Sofia—Bulgaria is going through a difficult period. The BSP [Bulgarian Socialist Party], which itself has undergone a process of radical revitalization, remains the foremost political party in the country and continues to play an important role in the life of Bulgarian society. Sharing his thoughts about the future development of Bulgaria is the deputy chairman of the BSP Supreme Council, Dimitur Yonchev. Talking with him in Sofia are our correspondent Yuriy Savin and TASS correspondent Aleksandr Stepanenko. [passage omitted]

[Savin and Stepanenko] In recent months quite a few events affecting the fate of Bulgarian peasants have taken place. Naturally, occupying a special place among them is the law passed by the parliament on ownership of

agricultural lands and their utilization, as well the set of rules approved by the parliament for applying this legislative act. How would you justify the present-day situation in the countryside?

[Yonchev] Thank you for this question. As it happens, in the last few months a group of BSP leaders, including me, has focused attention on the problems of the countryside. It is no accident that agrarian issues have come to the forefront. Documents passed by the parliament and the government have opened the way for resolving the problems of property in the countryside, and this means the path to reforming it as well. We in Bulgaria need to live according to the laws of the market economy. Under these conditions, the economic individual who is competitive is the one who will survive. This concerns the countryside as well. It would be an illusion to hope that our agricultural output could easily make its way through to the Western market, where "there's no free space" and where quality standards are very high. In demand, there are ecologically pure products in practical and attractive packaging. Very quick reactions to changes in the state of the market are needed there, whereas our output very often still does not meet all of these requirements.

We already had an opportunity to speak with you about the fact that, during the postwar years, our countryside suffered changes the likes of which hadn't been seen in all the 13 centuries of Bulgarian history. Land tenure increased and industrial methods came to be applied in the agrarian sector. The peasant got used to the concept of "work time"—that is, he felt at home with that state of "comfort" that is characteristic, say, for an official. The changes have been great, and right now many people in the countryside are alarmed by the fact that the old harsh times could return, when every man had to look out for himself. Perhaps this explains the widespread desire to retain the cooperative farm.

But, on the basis of the experience of the last year and a half, I think, the individual cooperative is in no condition to participate in the competitive struggle on its own. Between the producer in the cooperative and the consumer—whether ours or foreign—stand procurement and trade organizations. And they are true monopolists. Therefore, to survive, our farms themselves must have refrigerators, wineries, workshops, and so on—that is, everything to ensure the preservation of output, as well as its sale.

Right now, the country is setting about privatization. But one cooperative farm, no matter how strong, cannot buy, say, meat packing, refrigeration, and canning facilities. Therefore, we advise cooperatives to cooperate, for 10-12 farms to join together. To put together an internal monetary loan: bank loans are still very expensive. After collecting a few million, then participate in privatization. Facilitating this could be the creation of an organization of financial, marketing, and foreign trade experts. Naturally, we are not talking about creating the old

associations—dinosaurs whose chief function was maintaining the apparatus. These would be horizontal rather than vertical structures. Attempts to form them are now under way in many places.

Today there isn't anyone "on top" to worry about cooperatives; on the contrary, a war is being waged against them. We have cooperatives that must take into their own hands the formation of the countryside's modern infrastructure. Where this has been done, the first profits have already accrued: \$20,000, \$30,000,

\$50,000. This has been achieved where there were enterprising people and where party structures are energetically facing the resolution of these problems.

If we can put this kind of policy into effect, then we can also propose a lifesaving structure that in the current complicated moment could help people to live and work. Nothing you could think of could be more convincing here. If you offer these kinds of structures, people need you, but if you offer them fairy tales about futures successes, it's interesting but it won't feed them. Right now what's needed is practical policy.

Warsaw Pact's Final Protocol Published

91CH0711B Prague OBCANSKY DENIK in Czech
2 Jul 91 p 2

["Text" of final protocol adopted at the final session of the Political Advisory Committee of the Warsaw Pact in Prague on 1 July: "Protocol on Terminating the Validity of the Treaty of Friendship, Collaboration, and Mutual Assistance Signed in Warsaw on 14 May 1955 and the Protocol on Extending the Period of Its Validity Signed on 26 April 1985 in Warsaw"]

[Text] The Protocol on Terminating the Validity of the Treaty of Friendship, Collaboration, and Mutual Assistance, Signed in Warsaw on 14 May 1955, and the Protocol on Extending the Period of Its Validity, Signed on 26 April 1985 in Warsaw, was adopted at the final session of the Political Advisory Committee of the Warsaw Pact in Prague on 1 July 1991.

States which are contractual parties to the Treaty on Friendship, Collaboration, and Mutual Assistance, signed in Warsaw on 14 May 1955,

Taking into account the deep changes ongoing in Europe which mean the end of confrontation and division of the continent,

Intending, under conditions of the new situation, to actively develop their mutual relationships on a bilateral and, according to pertinent interests, on a multilateral basis,

Noting the importance of the Joint Declaration of 22 States, which signed the Treaty on Conventional Armed Forces in Europe and which proclaimed that they are no longer enemies and that they will forge their new relationships in partnership and collaboration,

Determined to assist in the gradual transition toward all-European structures of security in the spirit of the negotiations accomplished at the Paris summit of the Conference on Security and Collaboration in Europe in November 1990, have agreed to the following:

Article 1

The Treaty on Friendship, Collaboration, and Mutual Assistance, signed in Warsaw on 14 May 1955 (hereinafter referred to only as the Warsaw Treaty), and the Protocol on Extending the Period of Validity of the Treaty on Friendship, Collaboration, and Mutual Assistance, signed on 26 April 1985 in Warsaw, are rescinded, effective on the day this protocol becomes effective.

Article 2

The parties to this protocol proclaim that they have no property claims against each other, resulting from the Warsaw Pact.

Article 3

1. This protocol is subject to ratification.

2. The original of the protocol and the ratification lists shall be deposited with the Government of the Czech and Slovak Federal Republic. The Government of the Czech and Slovak Federal Republic will inform the constitutional parties to this protocol regarding the deposit of each ratification list for safekeeping.

Article 4

This protocol becomes effective on the day on which the final ratification list is deposited for safekeeping.

Given at Prague on 1 July 1991 in one version in the Czech, Bulgarian, Hungarian, Polish, Romanian, and Russian language, with all versions having equal validity. Verified copies of this protocol will be handed by the Government of the Czech and Slovak Federal Republic to all other parties to this protocol.

Signed by representatives of the individually participating countries: CSFR, Bulgarian Republic, Hungarian Republic, Polish Republic, Romania, and the USSR.

Air Safety Agreement With Germany Signed

LD2307203891 Prague Federal Television Network
in Czech 1730 GMT 23 Jul 91

[Excerpt] As from today no borders exist between Czechoslovakia and the Federal Republic of Germany where rescuing lives and the use of aviation equipment are concerned. On the Czechoslovak side the agreement was endorsed not only by the Ministry of Transportation but also by the Czechoslovak Air Force. Both countries will regularly exchange technical personnel and information and will carry out regular joint exercises. Similar talks are currently being conducted with Austria and Poland. This agreement means that the control center for rescue and aviation service in Prague-Karlin has become international. Military and civilian aviation services are cooperating jointly there twenty-four hours a day. Searches for aircraft that disappear from the radar screen are organized and controlled from this center. [passage omitted]

Calfa Differs With Carnogursky Over Slovakia

LD2307184591 Prague CTK in English 1701 GMT
23 Jul 91

[Text] Prague July 23 (CTK)—Czechoslovak Premier Marian Calfa told journalists today his view of Czechoslovakia's future is entirely different from that of Slovak Premier Jan Carnogursky.

In an interview granted to the July 22 French daily LIBERATION, Carnogursky said it is the aim of Slovakia to become independent by the year 2000 when Czechoslovakia's admission to the European Community will be discussed, and to enter integrated Europe as an entirely sovereign state.

Czechoslovakia is now made up of the Czech Republic and the Slovak Republic.

Calfa said he believes that "a state entity such as the Slovak Republic or the Czech Republic has no chance of survival in the given surroundings, with the neighbors it has and at this time."

Carnogursky's statement is nothing new, Calfa went on to say. Carnogursky has always said he favors a joint state of Czechs and Slovaks only until the moment when Slovakia can join the European Community and sit there at its own chair, he added.

Calfa praised Carnogursky's frankness, "now rare in politics."

Conservative Parties To Consolidate

91CH0709A Prague REPORTER in Czech 10 Jul 91
p 3

[Article by Jiri V. Kotas: "The Brawl Before the Elections"]

[Text] In Czechoslovakia, the right is forming spontaneously, intuitively, and without specific knowledge of the way things are. Nevertheless, as chairman of the Conservative Free Bloc [SB] Party, I am more or less clear about which rightist parties can be our allies in the parliamentary elections of 1992 and which parties, on the other hand, cannot be our partners in any event.

A natural potential partner for us conservatives is Klaus' Civic Democratic Party [ODS]. The problem of the ODS, however, is whether the remaining 99 percent of its membership base hold the same rightist views as Klaus. Minister Klaus has many times stressed that the ODS membership base is made up of three-fourths of the former Civic Forum. However, not even 10 Klaus'es will persuade anyone that the Civic Forum was ever a conservative movement. I must ask myself whether the former members of Civic Forum are following Vaclav Klaus out of self-interest or as a result of deep ideological and political conviction regarding the viability of rightist conservatism. I have the impression that many former supporters of Civic Forum are preferring to take a ride with Klaus (who, as a result of happenstance, just happens to be a rightist) because he is on the rise today, rather than drowning in the wreck of the former Civic Forum. I have no doubts as to the rightist nature of Vaclav Klaus, but I continue to entertain serious doubts as to the rightist orientation of the ODS membership base as a political party.

An express formation on the Czechoslovak rightist political scene is the Civic Democratic Alliance [ODA]. It is, without a doubt, a rightist party which is, with respect to its views and programs, far more homogeneous than Klaus' ODS. Let us take, as an example, one of the best-known members of the ODA—Minister Dlouhy. Despite the fact that he is a former Communist, he has confirmed by his actions that he belongs to the conservative right with respect to his views—both in the economic sense and also in the political sense. I believe that the membership base of the ODA did not switch to

Klaus perhaps precisely because they understand the ideological shallowness of the ODS. If, as a rightist politician, I look around for allies, I can be certain that anyone who is a member of the ODA is undoubtedly a true follower of the right. However, I have a question mark with respect to members of the ODS.

The majority of the other rightist parties and movements in the CSFR unfortunately perceive their rightistness merely as an absence of leftism. The most specific of these, the Club of Nonaligned Activists [KAN] is characterized only by its anticommunist direction. This is certainly okay, because anticommunism is just as honorable a matter as antifascism, but it is not constructive. The KAN continues to stay in business by rejecting the communist parties, but you cannot build anything by merely rejecting things. The relics of communism must be countered by positive political and economic programs. KAN does not interest us as long as its members do not begin defecting to real political parties.

A special formation on the right are the Christian Democrats of Vaclav Benda. The Free Bloc Party does not consider the Christian Democrats to be its enemies, but an alliance with them is not an essential condition for us for progress. We do not care whether a citizen is a believer or an atheist, but we are happier if the Christians do not make a political issue of their belief.

A noteworthy example of demagoguery is the Association for the Republic—Republican Party of Czechoslovakia [RSC] of Mr. Sladek. This is an example of misusing the generally accepted and popular symbols of the right, such as those of American republicanism. The RSC appeals to collective entities and seeks a collective enemy. It is particularly Sladek's racism which is something that a sensible rightist can never permit. American politicians, members of the Republican Party, who regularly visit Czechoslovakia, did not even for a moment permit themselves to be confused by Sladek. In response to my question on the topic of "Sladek," they recently only dryly commented that they have long since seen through this "Prague Benito" who also calls himself a republican. According to them, Sladek is only misusing the popularity of the republicanism of the Reagan and Bush era for his own vulgar purposes.

In a year from now, we will most likely already know the outcome of the new parliamentary elections. To the extent to which we would consider any possible partners for the Conservative Free Bloc Party for these elections, we find the most acceptable to be the ODA and then the ODS. To the extent to which we shall find a common language, a unified Conservative Party, made up of the Conservative Free Bloc Party, the ODA, and the ODS will enter the 1992 election campaign. The lesser rightist parties will then have to decide with whom they intend to go forward. For example, the Republican Union [RU] is undoubtedly a party of decent convinced anti-Communists who lack deeper mutual ties. Today, its members are joining our Conservative Free Bloc Party.

Minister Klaus recently noted at a press conference held by the ODS that his party has no intention of electing J.V. Kotas to its leadership. Even I do not expect anything like that. However, if the amalgamation of rightist parties were to come about, I believe that the leadership of the new party would be elected in democratic balloting. Which orientation would prevail and who will be the chairman of that party cannot be demonstrated until the preference of the electors at the amalgamation congress is manifest. What position in this ferment will be attained by the KAN, the Republican Union, or by the other small rightist parties, that is already incidental. And Sladek—he will personally remain outside of any and all coalitions. Unfortunately, support from the political rabble, however, will be sufficient for him to get into parliament.

The purpose of today's events on the right in domestic politics is to see to it that the scenario becomes more transparent for the public. Citizens should be clear about who stands to the right, why he stands to the right, and what his rightness will bring to the voters. In a unified Conservative Party, we wish to create a haven for those politically decent people who no longer wish to have anything in common with the left.

Judiciaries in Dispute Over Slusovice

AU2307124891

[Editorial Report] Czech newspapers on 17 and 19 July publish several items related to the disparate treatment of the former Slusovice cooperative in the Czech and Slovak Republics (while the cooperative was denied registration in its home region, South Moravia, it was registered by a Slovak court and its chairman, Frantisek Cuba, was even received by Slovak Prime Minister Carnogursky.)

Prague RUDE PRAVO in Czech on 17 July on page 3 carries a 150-word report by "pm," entitled "Slusovice Yet Again on the Move." The report states that "DAK [Cooperative Agricultural Combine] START Slusovice," a "spin-off of the former DAK MOVA Slusovice company," was registered by the Bratislava City Court "a few days ago under the name DAK START Trencin." DAK START Trencin reportedly administers about 20 percent of the assets and 1,000 hectares of land of the former Slusovice combine. Asked about the reasons for the move to Slovakia, Emil Filipec, chairman of DAK START Trencin, reportedly said that "whereas in Moravia there no longer existed conditions for entrepreneurial activity, the conditions in Slovakia are outright ideal."

Prague HOSPODARSKE NOVINY in Slovak on 19 July on page 3 carries a 450-word report by "chk" entitled "Slovak Support for Slusovice." The report deals with a news conference given by Jan Petrik, central secretary of the Christian Democratic Movement [KDH], in Bratislava on 18 July. According to the HOSPODARSKE NOVINY correspondent, the news conference "made it completely clear that the recent reception of [Slusovice

Chairman] Frantisek Cuba by Slovak Prime Minister Jan Carnogursky was not an accidental courtesy meeting." Petrik is said to have "expressed great appreciation" for the "successes" of the Slusovice cooperative. He mentioned that the KDH "assisted" in the Slusovice cooperative's move to Slovakia, which it "welcomes and appreciates as a contribution to the Slovak economy." Petrik also emphasized the fact that the Slusovice cooperative always employed a large number of Slovaks and that "Docent Cuba never made any distinction [between Czechs and Slovaks] and evaluated people according to their abilities."

Indirectly referring to President Havel's recent questioning of the legality of the Slusovice cooperative's move to Slovakia, Petrik said: "The KDH regrets the attitude of some Czech politicians who, taking advantage of their high constitutional rank, publicly announce that they invited the prosecutor general to reexamine the Slusovice registration in Bratislava. I can assure them that the registration was in strict compliance with the law because such a step (reexamination of the registration) was anticipated."

Prague LIDOVE NOVINY in Czech on 19 July on page 16 carries a 400-word report by "JaD" entitled "Cuba or President?" The report first explains the economic background of the dispute about the division and reregistration of the Slusovice cooperative. It states that for the period 1986 to 1988, the Slusovice cooperative owes the state over 246 million korunas in profit taxes. Moreover, it owes over 494 million korunas to the Agricultural Supplies and Procurement company and unspecified sums to an additional 3,000 enterprises.

The LIDOVE NOVINY report also examines the legal aspects of the cooperative's registration in Slovakia. It says: "A source close to the Castle told us that, in his talk with the president, the prosecutor general promised to expeditiously provide an analysis of the legal aspects of the registration of the DAK MOVA Bratislava company. DAK MOVA was registered in Bratislava after the Brno City Court refused to register the company. Because the law does not allow that a matter that has been decided in a legally binding way be taken up again by another court, the CSFR Prosecutor General's Office and the general prosecutors' offices in the two republics were asked to initiate the filing of a complaint against breach of law. Whereas the Czech Republic Prosecutor General's Office has already issued a verdict on the correctness of the procedure by the Brno City Court, the Slovak Republic Prosecutor General's Office promised, in a letter signed by Dr. Hegedusova, to provide its reply within three months." A reply from the CSFR Prosecutor General's Office was not available, the report says, because Ivan Gasparovic, the prosecutor general, is on vacation.

Press Reflects Transition to Democracy

91CH0711A Prague REPORTER in Czech 10 Jul 91
p 12

[Article by Jiri Svitek: "The Press Through the Eyes of Political Scientists"]

[Text] In the past 17 months, the frequency with which many concepts have appeared in print in the press of the CSFR has changed. Among the most frequently used concepts used to be "free elections" and "pluralist democracy"; now we are seeing "a return to Europe." These concepts are not only appearing as a desirable goal, but as a dimension of the considerations in the relationships between the CSFR and its neighbors, with respect to European processes as well as an evaluating yardstick for the conduct of politicians.

However, there is a substantial difference between the Czech and the Slovak press. If the Czech press writes of "our place" in the world, of returning to Europe, it means this for all of the CSFR, for the federation. Things are different in Slovakia, where the geographic position, which is close to Vienna and Budapest, is accentuated, where the connecting Danube River is stressed, as is the national viewpoint, their own way, and self-justification, for example, "Slovakia and Europe," "Let us prove who is a Slovak," "Slovaks for themselves," etc. Integration into a developed Europe is not presented until the subsequent phase, following the Constitution of a strong Slovakia.

It is interesting that the concept of Central Europe is used exclusively in a marginal way in Slovakia; in the Czech Lands, it is used specifically more frequently. In this connection, the Czech press primarily carries articles speaking of the possibilities of tourism, of relationships with neighbors, of diplomatic initiatives in Central Europe, etc., which take the assumption for granted that Central Europeanism does not need to be talked about excessively because it cannot be doubted. In the Slovak press, considerations of Central Europe are restricted to texts dealing with official relationships between the regions, for example, security or economic cooperation. In this context, Slovakia is perceived to be the geographic center of Europe and a bridge between the East and the West.

In the context of East Europe, the Slovak press frequently makes mention of the relationship with Hungary, both in the sense of collaboration and neighborliness, as well as in the sense of a tense and frequently even conflicting relationship with regard to the Hungarian minority in Slovakia and the Slovak minority in Hungary. The Hungarian press in Slovakia devotes particular attention to this problem, but so does SLOVENSKY NAROD—the periodical of the Slovak National Party.

A look at the incidence of the topic of Central Europe in the Czechoslovak press points convincingly to two levels of perception regarding the return of the CSFR nationalities to Central Europe. On the one hand, this return

represents a problem of overcoming disputed locations and borders, a certain example of conduct and a community of shared values only as a set of problems which are very generally formulated, where the difference between Europe and Central Europe is not seen and where both appellations are seen more as synonyms. At the same time, however, Gorbachev's term "European house" persists surprisingly. On the other hand, the term Central Europe is showing up purely in practical terms in interregional contacts, in the renewal of old and initiation of new economic relationships between adjacent regions and in the solution of ecological problems.

However, between the above-listed levels, there is absolutely nothing which could be defined as Central Europeanism or as Central Europe as a phenomenon or as a problem or as a topic for discussion. Europe remains as a foggy goal and essentially an election slogan without specific structural content. And at that, this involves the most important trend in Czechoslovak foreign policy—that is, the earliest possible integration or at least an approach to rich Europe. The other parts of Europe, be they East Europe or Central Europe, are mentioned sporadically or virtually never. Such questions as the quality or structure of subjective perceptions involved in the pertinence of the commonality of Czechs and Slovaks with Central Europe remain completely peripheral.

National Redistribution of Army Outlined

LD2307165191 Prague CTK in English 1437 GMT
23 Jul 91

[Text] Olomouc, North Moravia, July 23 (CTK)—The Czechoslovak Central Military Command will set up camp here on April 1, 1992, as part of the largest relocation of domestic troops in the history of the Czechoslovak Army.

Major General Cestmir Hrbek announced at today's session of the Czechoslovak Army Council on Cooperation With the Public that troops for the creation of the Central Command and a strengthening of the Eastern forces will be drawn from units now concentrated in the west of the country.

Fifty-nine regiments comprising 2,670 professional soldiers formerly posted on the western borders of Czechoslovakia as part of the now-defunct Warsaw Pact's defense against NATO have been disbanded, Hrbek said. With the redistribution of troops from west to east, 36 percent of the Czechoslovak Army will be stationed in Slovakia and 64 percent in the Czech lands of Bohemia and Moravia, which together make up the Czech Republic.

Miller: Wage Laws To Reflect European Standards

91CH0697A Prague HOSPODARSKE NOVINY
in Czech 28 Jun 91 p 8

[Interview with Petr Miller, federal minister of labor and social affairs, by Lubomira Cizova; place and date not

given: "The Draft Law Corresponds to European Standards"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] Recently there has been an increasing number of inquiries addressed to the Ministry of Labor and Social Affairs as well as to our paper relating to wage developments in connection with the anticipated price changes. The lack of clarity is often due to a dearth of definite information. With this article we begin a series offering explanations of certain disputed issues. Following an introductory interview with CSFR Minister of Labor and Social Affairs Petr Miller we will offer our pages also to representatives of other government agencies and trade union federations.

[Cizova] Mr. Minister, your department's responsibilities include in addition to the social area, employment and labor relations, also the area of labor incomes and wages. What are your department's current projects in this area?

[Miller] Already since the beginning of 1990 the Federal Ministry of Labor and Social Affairs has pursued with determination a course of liberalization and detatization of wages and labor incomes in the entrepreneurial sphere. In practice this means transition from a system of government-decreed wages to a system in which wages are determined in the labor market by means of collective bargaining. The first of January 1992 should be the date when the government ceases to direct and create countrywide wage systems for this sphere, and the determination of wages becomes a matter of sovereign negotiation between the social partners, workers and employers. Preparatory to putting this process into effect, in late 1990 the Federal Government adopted a decision on the principles of wage reform. Hence work is presently under way to draft legal regulations for labor remuneration in both the entrepreneurial and state-financed spheres.

[Cizova] One of the drafts in preparation involves a law on wages paid by an employer conducting entrepreneurial activity and on average earnings. It was precisely this draft put forward by the Federal Ministry of Labor and Social Affairs which has recently attracted the largest attention. Why?

[Miller] In point of substance the interest is understandable. It is a legislation intended to regulate the basic employee rights in the sphere of wages; it is undoubtedly of great import also for the process of a radical economic reform. What about the debate on formal aspects? That I don't know precisely, but I believe that it is rather a matter of misunderstanding. It was already in the preparatory stages of drafting the proposal that officials on the staff of the CSKOS [Czechoslovak Trade Union Confederation] were informed of my department's intentions. Prior to being sent to the [parliamentary] review process the legislative draft was discussed several times with central bodies of trade union and employer organizations, it was reviewed also in the working group of the

Federal Council of Economic and Social Accord, tripartite working teams were set up to resolve partial issues. But I must take strong exception to some view according to which the ministry's staff could not prepare even a working draft for me without consultation with someone on the outside. This I believe is quite understandable. But I should hope that further discussion of the legislative draft will stay within the bounds of substance and expertise.

[Cizova] What is the intent of this legislation and what is the difference between the philosophy of the proposed law and for instance the so-called ZEUMS [increase of wage system efficiency]?

[Miller] Because the collective bargaining process already has a secure legal basis in the Law on Collective Bargaining, the intent of the proposed legislation is to create legal space for collective bargaining on wages at any level, that is, at the enterprise, branch, or sector level. One of the overlooked aspects of the proposed draft legislation is protecting the freedom of collective bargaining from third-party interference. By this I mean first of all interference by the government, by an agency of the state administration in ways not sanctioned by the law. The principles of direct government intervention in the process of wage formation can be divided into two groups. The first includes regulations setting forth the lowest permissible minimums, this even when the collective bargaining process is in place and a collective contract is concluded; it involves provisions on bonus wage for working overtime and on holidays and minimum wage provisions. The second group concerns cases in which no collective bargaining takes place (for instance small businesses) or where collective bargaining fails: Here the government reinforces employee protection by establishing minimum tariff wages. What I have said shows clearly that the legislative draft substantially prefers collective bargaining. Giving greater powers to the social partners naturally also increases their responsibility for the consequences of their agreements. Only a very brief comment on the second part of the question: The difference between the draft legislation and ZEUMS is about the same as between a radical economic reform and the array of measures undertaken in the 1980's.

[Cizova] I assume that the legislation is being drafted to conform to the Charter of Basic Rights and Liberties.

[Miller] Certainly, in our opinion the draft law fully conforms to the Charter of Basic Rights and Liberties as well as to the international pacts, treaties and agreements which the CSFR has ratified and which concern employee wages or collective bargaining. Together with my department's experts I personally consulted leading experts of the ILO Office on the basic principles of the draft during my official trip to Geneva. I received confirmation that the method of protecting employee wages and the principle of collective bargaining as envisioned in the draft legislation is in full conformance with European standards. Some partial recommendations

and textual refinements will be worked into the draft legislation. In any event the ILO Office will be consulted anew on the draft.

[Cizova] How does the draft legislation specifically address the minimum wage and at what level will it be set?

[Miller] The minimum wage provision proceeds from the customary view. It again envisions setting the minimum wage at a uniform and generally binding level. We also foresee the possibility that collective agreements may set the minimum wage higher. Insofar as the specific level of minimum wage is concerned, our recommendation is for the law to set the actual level of minimum wage as applicable on the day it takes effect. Changes in the minimum wage should be decreed by the Federal Government; automatic adjustments of the minimum wage are not envisioned. When an adjustment is made it should take into account especially the general wage levels, trends in the cost living, the amount of social benefits, job preservation and the employers' economic possibilities. The minimum wage continues to be viewed as a social guarantee and in no event will it become part of the wage scale.

[Cizova] What is the draft legislation's concept of average earnings?

[Miller] The present rules for establishing average earnings for the purposes of labor law which proceed from detailed rules on wage regulations are very casuistic and demanding administratively, and are justly criticized for this reason. Therefore the proposal is for a substantial simplification, as was called for already some time ago, in the rules for establishing average earnings, by way of setting forth uniform basic principles for calculating them. At the same time the proposed rules make sure that the amount of average earnings will reflect to an optimum degree current trends in wage increases and that there will not arise major disproportions between the average earnings as calculated for the purposes of labor law and the amount of wages attained by the employee at the time when the average earnings calculation applies. A similar improvement will be assured for calculating covered earnings for the purposes of health insurance.

[Cizova] Will the enterprises really have sufficient time for their preparations?

[Miller] One of the principal sustaining ideas of this draft is that nothing is being introduced. It simply liberalizes wages for the entrepreneurial sphere and so the enterprises themselves can create their wage systems within the framework of law. If someone is convinced that the present wage system suits him fine, he can decide on his own authority to change nothing. In this he needs only to observe the law and its provisions which of course include the actual level of minimum wage and certain other regulations as for instance the minimum wage tariffs where no collective agreement is concluded.

[Cizova] Can you comment on the issue of company benefits [rezijni vyhody] enjoyed by employees in transportation?

[Miller] Certainly. The substantive question and its economic impact will be reviewed, but it is the Federal Ministry of Finance whose jurisdiction includes the sphere of process which should have the principal say in this matter. It is of course a very sensitive area requiring all-sided consideration and it concerns not just employees in transportation but also former employees in this sector (retirees and their family members). Considering the existing number of beneficiaries the economic impact is relatively substantial. This issue will obviously be dealt with separately in conjunction with approval of the draft legislation.

Price Regulation Changes Effective 1 Jul 1991

*91CH0697B Prague HOSPODARSKE NOVINY
in Czech 28 Jun 91 p 9*

[Article by Eng. Jana Furstova and Eng. Jiri Vojta,
Federal Ministry of Finance: "Further Liberalization"]

[Text] The continuing slowdown in price increases in the producer as well as consumer markets which was recorded statistically also during May makes it possible to carry out effective 1 July 1991 a further partial reduction in the number of goods with regulated prices, or to apply a milder method of price regulation.

Decree No. 010/91 of the Federal, Czech, and Slovak Finance Ministries abolishes maximum prices for flour and maximum internal trade surcharges for dairy, livestock, meat, and poultry products which will be regulated for a certain time only by material price guidance. This means that their permissible ceiling is limited by economically justified costs and appropriate profit.

Freed completely from regulation are the maximum prices of industrial wheat and maize and the price of feed barley from the 1990 harvest. For now it cannot be assumed that the current drop in sales will be instrumental in guiding the price development for grains from this year's harvest without a need for regulation from the center. Also, price regulation is abolished for unprocessed coniferous and deciduous lumber and fiber which applied only to the Czech Republic. Prices for raw timber in the Czech Republic continue to be regulated. Decree No. 010/91 also supplements and modifies methods of the already existing regulation of prices for coke, thermal energy, motor fuels and oil products of category 111 and coal from the Prievidza mining district.

Petroleum products with materially guided prices involve a complex manufacturing process so that individual products of category 111 can not be differentiated through calculation. This fact is newly reflected by extending economically justified costs and appropriate profit to the sector as a whole. Price controls apply this

method also to other price-regulated products if they can not be separated from category 111 for technical reasons or through calculation.

Price regulation for motor gasolines and diesel fuel was supplemented by a new requirement that their production prices established on the basis of economically justified costs and appropriate profit for the sector as a whole may not exceed the price of potential import as derived from prices in the German market which is one of free competition and the most accessible for the CSFR in terms of price and transportation.

Decrees of the Czech Republic Ministry for Economic Policy and Development No. 186/1991 and the Slovak Republic Ministry of Economics No. 2067/1991 on managing heating, centralized supply of heat, and protective zones, established standards for installing heat consumption meters. Because of the increased cost of heating there has been a rise in the pressure by users to speed up installation of meters, particularly at the point of entry into residential buildings. This has produced the need to supplement rules on regulating prices of heating energy with additional provisions. These concern especially inclusion of the cost of metering equipment and technically justified losses in secondary distribution systems.

The aforementioned revisions are designed to prompt the suppliers of heat to create conditions for a speedier introduction of meter technology by allowing them to include in the cost calculation base also the cost of furnishing meter equipment in the amount of write-offs. The resulting increase in household expenses should be offset by lower consumption induced by the introduction of a metering technology.

Along with billing consumption on the basis of metering at the point of entry into buildings (residential housing) it is necessary to allow billing for technically justified losses in a secondary distribution system. The present billing method charged all losses in these distribution systems to the consumers. Placing a limit on these charges has the purpose of protecting the consumer and creating pressure on the supplier to eliminate these technically unjustifiable losses.

Furthermore, in response to customer comments on applying the maximum price of 89 korunas per GJ and its justification in some concrete cases, household heating energy has been included among items in regard to which local authorities are empowered to reduce centrally established maximum prices. This measure has the specific goal of enabling the local authorities to intervene in cases where the supplier charges households the centrally established maximum price even when material conditions would permit billing at a lower rate. Here it must be noted that cases in which local authorities would reduce the price more than called for by material conditions do not constitute a claim for subsidy from the state budget.

Sales Tax Rate Adjustments Effective 1 Jul 1991

91CH0697C Prague HOSPODARSKE NOVINY
in Czech 4 Jul 91 p 4

[Article by Eng. Vaclav Benda, Federal Ministry of Finance: "Sales Tax Rates: Adjustment as of 1 July"]

[Text] The state budget surplus recorded in the January-May period of this year, besides strengthening the expenditure side also creates room for a further reduction in sales tax rates effective 1 July 1991. This is another systemic measure in the transition to a new system of indirect taxes launched already last year when the negative tax on food products was abolished.

A consolidation of sales tax rates into four brackets (zero, 12, 22, and 32 percent) was arranged in the second quarter of 1990. While the assignment of categories and products to the individual tax brackets proceeded from the assumption that the sales tax as an indirect tax should be maximally neutral toward all producers and consumer groups and exert no influence on their economic conduct, it was a philosophy that could not always be applied across the board. As much as neutralization is one of the main attributes of the value-added tax, it was not possible to accept it fully in this stage of preparation for a tax reform. This is because it was also necessary at this time to take into account the need to assure revenues for the state budget and in regard to certain sectors their earlier, often deformed, pricing development. Certain products were subjected to selective taxation in the form of a consumption tax set at a fixed amount per physical unit or at a higher percentage rate above the unified brackets.

It was estimated that the consolidation of sales tax rates would result in a revenue loss (without consumption taxes) by roughly 2-3 percent in 1990 prices. Price liberalization and consolidation of tax rates taking effect simultaneously, however, eliminated the impact of tax rate consolidation in terms of reducing the price level of industrial products where the earlier rate had been higher, and on the other hand magnified the impact on consumer prices of certain products taxed earlier by a negative rate. The result was most pronounced for instance for construction materials where in spite of a 12 percent rate consumer prices rose by a multiple. Thus the main cause of this year's rise in consumer prices should be sought in the realm of rising production costs and commercial surcharges.

How the sales tax rates were set was strongly influenced also by the need to assure revenues for the state budget. The basic assumptions underlying last October's calculations of the planned revenues from sales tax and the new tax rates have changed significantly during the first months of this year. This is in the first place a greater rise in the price level than was anticipated, and in its consequence also a greater decline in consumption. As a result of higher devaluation, introduction of an import surcharge and other external as well as internal factors during January through April the price level rose in

rough estimate by 10 points over what had been anticipated at the time of composing the budget. But consumption declined far more than expected, by 35-40 percent in rough estimate during the first quarter and this in spite of inventory disposal sales in January and February still at reduced prices. the budget however reckoned with a 5-10 percent decline.

An analysis of budget revenues from the tax and of the trends in prices and demand during the first quarter led to the decision to reduce the across-the-board tax rates to 11, 20, and 29 percent effective 2 May. This adjustment should theoretically result in reducing the consumer price level in individual tax brackets: by 1-2 percent in the 11 percent bracket; by 2-3 percent in the 20 percent bracket, and by 4-5 percent in the 29 percent bracket.

It would be premature to evaluate the effect of the reduction, but for the time being it appears that it has not become reflected significantly in the level of consumer prices and that it has been largely absorbed by producers as cost, or commercial organizations as discount.

Favorable results in meeting the state budget requirements have made possible a further reduction in the tax burden effective 1 July, this time carried out selectively and focused on eliminating certain illogical features of the Sales Tax Schedule and reviving demand for products which had recorded a deep decline in consumption.

In the food industry branch the 11 percent rate was reduced for rice, oranges, tangerines, and grapefruits, and the 20 percent rate for nonalcoholic beverages. Assigned to the zero tax rate will be rice comparable with other mill products (flour, pastes) and potatoes where the zero rate applied already in the past. The reduced rates for oranges, tangerines, and grapefruits should lead to increasing demand and equalize their tax status with other fruits and vegetables. The zero rate, until now applied only to some nonalcoholic beverages, will now be applied uniformly to all of them.

Furthermore, the 29 percent rate for confectionery products is reduced to 20 percent in order to equalize their tax status with other food products and revive the demand for them which had declined significantly especially for non-chocolate confections. Along with this the 29 percent rate was reduced to 20 percent for bouillons and baking powders; this will result in equalizing the tax levies and a further consolidation of tax rates for food-stuffs.

In response to the demand for reducing health care costs, the tax rate for pharmaceuticals (categories 261, 262, 263, 264, and 265) is reduced from 20 to 11 percent. This should result in a saving of roughly 600-700 million korunas on the state budget's expenditure side.

A notable effect on the level of consumer prices (theoretically about 10 percent) should result from reducing the tax on selected engineering products, to 20 percent from 29 applied until now. It involves the following categories and products: 384—light fixtures; 484-36 and 484-38—flow-through and storage heaters of utility water; 541—appliances for heating and cooking (ranges, ovens, stoves, infrared radiators, irons, solders); 542—electric household appliances (refrigerators, freezers, washing machines, kitchen robots, vacuum cleaners and other household appliances); 551—fittings for home installation and other small products; 555—metal wrappings; 559—cutlery products, table flatware, mechanical kitchen utensils (excluding plastics).

Another partial adjustment was effected in the category of polygraphy products where in a part of the category (735-3) which includes economic printed matter the tax was lowered from 29 to 11 percent. The purpose is to equalize the tax levies in this category and reduce the costs of the state administration and budget-supported organizations.

In view of the deep decline of demand the tax rate was reduced also for gold and jewelry products and other categories working with precious metals, until now placed in the category of "consumption tax" with a rate of 50 percent. This rate is reduced to 40 percent with the proviso that within the system of a value-added tax it is anticipated that these products will be excluded from the category of goods to which a consumption tax will be applied.

The reduction of the tax burden and of the number of applicable tax rates anticipated for the time when the value-added tax is introduced cannot be effected in one fell swoop because it would mean a major impact on the level of consumer prices and the structure of demand. While the across-the-board reduction of tax rates put in effect on 2 May was motivated by the intention to lower the tax quota generally, the changes introduced as of 1 July have a pronouncedly selective character. In addition to reviving demand their main purpose is to put in place another consolidation of rates with a view to the prospective value-added tax system.

Finance Minister Mihaly Kupa Interviewed*91CH0733A Budapest FIGYELO in Hungarian
4 Jul 91 pp 1, 3*

[Interview with Finance Minister Mihaly Kupa by FIGYELO editor in chief Dr. Gyorgy Varga; place and date not given: "Mihaly Kupa Will Carry Through to the End"]

[Text] [Varga] Why is it that the press virtually glorifies you, while your predecessor, Ferenc Rabar—and I quote—was virtually hated by the press?

[Kupa] Well, that's an exaggeration! The good relationship that has evolved between the press and myself may be explained by the fact that I am open and that I do not close the doors to the public. The other reason is that I call a spade a spade whenever I express my views.

[Varga] Your popularity may largely be attributed to the fact that you joined the administration as an expert. Don't you think that if you were to run for Miklos Nemeth's seat with the support of the Hungarian Democratic Forum and would win that seat, you would be forced into a certain partisan situation and that this could raise questions about your credibility as an unbiased expert?

[Kupa] Such a threat exists, I won't deny it. And yet I will go ahead with it, because this challenge represents the assessment of my person. Aside from that I regard the political support of the electorate as important even in my capacity as a minister. The risk of partisanship exists, although I think I'm strong enough to preserve my credibility as an expert.

[Varga] Your activities take place mostly abroad. You seldom take part in cabinet meetings, and even more rarely in the meetings of the Economic Cabinet. I have a feeling that you left the Kupa program to go its own way and the governmental direction of the domestic economy shows signs of disintegration. Your negotiations abroad generate adverse feelings in some of your fellow ministers. I wonder, what does your chosen strategy yield?

[Kupa] Your impressions are well founded. We are dealing with a sensitive issue which is important from the country's standpoint. I felt that as long as I was entrusted to lead the Economic Cabinet, as the top economic minister, I was responsible for economic policy as a whole. I am convinced that the economic policy program we developed and which has been accepted by the National Assembly can be implemented only along with a well developed international background. Therefore, as a first step, we must establish a system of international relations which provides this background. Indeed, I travel a lot, but I do not borrow money, I do not engage myself in trading, i.e., I do not interfere with the affairs of either the Hungarian

National Bank or the Ministry of International Economic Relations. I realize now that the foreign partners—governments and businesses—must be kept informed virtually on a continuous basis about developments in Hungary, and that they must be persuaded day after day to believe that it is worthwhile to invest in Hungary. Acquiring foreign support and ensuring the durability of this support is indeed an important part of my strategy.

As far as the domestic terrain is concerned, I regard maintaining relations with people as most important.

As far as the returns on my foreign negotiations are concerned, these will manifest themselves mostly in the long run. And whether there will be any returns at all depends largely on the events in Hungary.

[Varga] From among your foreign trips I must highlight your negotiations in Moscow. Some believe that upon your return from Moscow you fostered illusions regarding the future of economic and financial relations. Others believe that you left unfinished issues behind.

[Kupa] As far as the illusions are concerned, I believe that we will manage to accomplish something by following the track established in the course of my Moscow negotiations. Just think of the inclusion of the Central European Development Bank, the possibility to conduct barter trade or the rechanneling of part of the Hungarian import payments for the purposes of Hungarian export financing, etc. At the same time I managed to establish very good personal relations with Soviet deputy prime minister Shcherbakov. He is a committed advocate of reform and the cochairman of the Hungarian-Soviet joint committee. I should note here that no Hungarian cochairman has as of yet been designated.

I regard as far more important, however, that I succeeded in turning around the "this market has collapsed" mood. I am aware of the fact that much depends on the way the Soviet internal situation evolves, but we must be present. I will once again negotiate with the Soviet partner at the appropriate point in time, when I see sense in negotiating.

Hungary must think of Hungarian-Soviet economic relations in the long term. Losing that market would not serve our interests, and our long-term national interest should not be sacrificed on the altar of short term interests. I am convinced that normalizing our Soviet economic relations also has an impact on Western capital investment. I am aware of the fact that many investors come to Hungary only to take advantage of the knowledge and experience that we have accumulated—Russian language skills among other things—and to thus, enter the Soviet market. For example, the establishment of a Hungarian-Russian chamber is long overdue.

[Varga] The Kupa program set the schedule for economic legislation. Compared to the actual schedule of legislation we find that legislation providing conditions for an economic system change has been delayed. No law

has been enacted with respect to treasury assets, the operation of the state's entrepreneurial assets, financial institutions, cooperatives, etc. The economy also senses the great lack of a modern taxation system.

[Kupa] I acknowledge the fact that we are delayed, but the administration and the financial cabinet are not the only ones at fault. Many important legislative proposals await their turn in the parliament, but much time was spent on debating church real estate, indemnification and the III/3 case. The parliament has become overburdened.

[Varga] I am prepared to readily accept your statement, but it is my view that the priorities you chose and differences of opinion within the administration also played a role in the delay.

[Kupa] It is true that the cabinet has a hard time in coming to terms with itself, and that serious disputes exist with respect to privatization, industrial policy, or the system of implements available to realize the external economic strategy. Some tense debate may be expected in regard to social security, health care, and education, i.e., about transforming the so-called distribution systems. We are delayed by about three months.

[Varga] Let us focus on privatization within this package. This has become a jungle in every sense....

[Kupa] That's right! The participants get lost in the labyrinth of legal provisions....

[Varga] But a jurisdictional battle is also raging in this regard. You intend to monopolize privatization, according to [State Property Agency Director] Lajos Csepi.

[Kupa] This is nonsense. My endeavors much rather focus on freeing myself from part of the responsibilities. For this reason, I can hardly wait until the law governing the state household is enacted, so that we can establish on the basis of that law the treasury and budget offices as organizations which exercise independent authority.

In my opinion, an issue of principle must be decided: whether it is necessary to nationalize to such an extent, and whether it is permissible to concentrate privatization virtually in a single hand, or if the process should be decentralized. I hold the latter view.

[Varga] Structural changes which hold the promise of future growth have not yet started in the economy. Counter development alone does not amount to structural change. The signs of this may already be sensed in the dwindling surplus of the first-quarter trade balance.

[Kupa] It is a fact that signs of fatigue appear in the economy, nevertheless, I am confident that last year's achievements in foreign trade may be continued. But in order to achieve a change in the trend shown by real processes we must develop a policy concept for how to close up, in addition to accelerating the privatization process and the building of markets. Notably, we must

know what we want to close up with; what level of economic and technical development we want to achieve, and how much time is available to run that distance so as not to become severed from Europe.

I regard the development of a closing up policy as a task that must not be delayed. We are establishing an independent committee composed of scientists and scientific researchers to accomplish this.

[Varga] Another committee?

[Kupa] I was forced to make this decision because economic workshops simply disappeared. The former research bases have either burnt out, boxed themselves up or turned into business ventures. Many scientists moved abroad, even though never before has there been a greater need for a scientific background. I am willing to establish a body composed of scientists, but I would never support the establishment of a state office which centrally directs the so-called structural policy. The state must use market methods to transform the structure.

[Varga] May I interpret your words as saying that there should exist an economic strategy because there is no such strategy, and that by now foreign investors almost recognize the lack of such a strategy?

[Kupa] I would put it this way: There are many holes in the cabinet's economic concept, or, the various partial concepts have not yet coalesced into a consistent whole.

[Varga] You made reference to the state role. Privatization here or there, along with a declining gross production the state's redistributing role has not decreased by a single iota. To the contrary, it has increased and has reached a level so as to cover 60-65 percent of gross production. In other words, the state's role in economic processes does not show a de facto decrease, it is increasing instead. Do you agree with this statement?

[Kupa] It is true, because no hard barrier or self-restraint whatsoever prevails in the course of distribution—and I include here the autonomous local governmental bodies. Everybody is thinking in the framework of the existing structure and wants to finance that structure. This is absurd, because the existing structure is bad, and we do not even have funds to operate that structure. I hope that the National Assembly will have enough strength to force a change in the social security system at least. And I hope that civilian society will enter into entrepreneurial undertakings only where profits can be expected. At the same time it is also true of course that the state did not even permit entrepreneurial entry into a number of fields. I agree with you; no market can evolve along with the state redistributing 60-65 percent of the GDP.

[Varga] A substantial part of the income generated within the Hungarian economy—thus also of state budget revenues—constitutes phantom income generated as a result of inflation, the unrealistic amortization system and questionable receivables. Are there calculations which show the effects of the new accounting and

financial statement system on state budget revenues? The new system goes into effect in 1992.

[Kupa] The impact has been assessed, of course. Based on these analyses it turned out that the budgetary deficit would increase tremendously if we were to implement the new accounting law all at once in 1992. For this reason, we decided that it would not be possible to change over to a modern amortization system in a single step next year. And a compromise must be reached with respect to determining the tax base so that the state is satisfied, while money is also left with the enterprises. A realistic level of amortization may be accounted for primarily with respect to new assets. Enterprises will have more resources available as a result of that.

[Varga] In agreement with several foreign experts you said that we must count on a shrinkage of the global supply of capital, and with capital becoming more expensive. Under such circumstances domestic savings constitute the main source for economic growth. What action is taken by the financial cabinet to stimulate domestic savings?

[Kupa] Above all, inflation must be reduced, because the real worth of savings can be preserved only if inflation becomes more moderate. This is the alpha and omega of every policy that stimulates savings. Despite the relatively high inflation rate the propensity to save on part of individuals has improved, although I acknowledge the fact that part of the savings is stimulated by constraint, by fear of the future. But most certainly part of the funds was saved in expectation of favorable investment opportunities. Preprivatization is certainly not one of these favorable opportunities.

Accordingly, my approach to stimulating savings starts out from antiinflationary policies. The success of antiinflationary policies depends primarily on our ability to check the growth of budgetary outlays. This is why I was not overly impressed by offsetting energy price increases by internally reallocating 5 billion forints.

I am also hastening privatization because that would establish conditions for rational management and would consequently exert an antiinflationary effect.

In summary, in my experience the populace and a majority of business organizations conduct themselves in a rational manner. The state should do the same; the state must not be the source of inflation.

[Varga] Let's discuss the Economic Cabinet, which you head. Considering the character and number of cases the Economic Cabinet deals with, I am reminded more and more of the Economic Cabinet's ancestor a long time ago: the Economic Committee. In viewing the ability of the Economic Cabinet to make decisions, or the efficiency of its operations however, it hardly reminds me of its deceased predecessor.

[Kupa] Your observation is justified, but the Economic Cabinet does not make decisions, it makes recommendations to the administration. This, however, does not change the essence of your evaluation. The status of the Economic Cabinet in the framework of public law has not been clarified thus far. I informed the prime minister of this fact in a letter.

This body has as its mission to deal with issues pertaining to economic strategy. In contrast, every topic expected to evoke debate within the administration, or in regard to which the various branches do not assume the responsibility that goes with decisionmaking, is presented to the Economic Cabinet. This is why the Economic Cabinet had to deal with large enterprises which found themselves in difficult financial situations, or with reducing energy producer prices. On occasion, we must also deal with totally banal issues.

[Varga] As of late, the Economic Cabinet made a series of high caliber decisions the Kupa program did not count on at all, or did not consider to the extent implicit in those decisions. These include decisions concerning the Expo, indemnification, church real property, and compensation for energy prices. Some of these also affect this year's economic processes, while the long-term effects cannot be assessed for the time being. Wouldn't the immediate effects, including a lower than planned amount of revenues, warrant a revision of this year's budget; and didn't the entire system of conditions which served as a basis for the Kupa program collapse as a result of recent decisions made by the administration and by the parliament? In other words, could we continue to count on realizing economic stability in 1993-94 in your view?

[Kupa] Let me discuss the program first. It contains compromises which I, personally, am not proud of. The original concept prepared by us was more strongly market oriented, but this character has been blunted in the course of debate within the administration. Accordingly, the program that was made public contained several statist elements that were not part of the draft. It is the personal merit of the prime minister that the program did not shift even more forcefully in an statist direction.

Irrespective of all this, the program stands on its own feet, by now it has become known and recognized abroad, and it is regarded as a program which is able to turn Hungary into a successful country, once we implement the program. Quite naturally, the program needs to be improved and supplemented. I incorporate every good concept in the program, thus, for example, I read the concepts presented by the Alliance of Free Democrats with great interest.

Many blame me for giving in with respect to the Expo, indemnification and energy price compensation. Yes, this is what happened, but within two weeks we will present a calculation to the administration which shows the financial limits of decisions. For the time being, we

know nothing about the financial consequences of returning the real property of churches. The administration and the legislature must proceed with extreme circumspection, because light headed decisions may result in a budget collapse.

As far as the revision of the 1991 budget is concerned, we already expended most of the reserve funds by establishing administrative adjudication and an indemnification office, and by compensating for energy prices on the one hand. On the other hand, a revision of the budget is not warranted based on available data covering the first five months of the year. But I will stress that expenditure allocations must not be exceeded unless we raise taxes. However, internal regrouping may take place.

[Varga] On at least two occasions you announced publicly that you would resign if the administration failed to accept your own concept. It appears that the opposite is taking place: Mihaly Kupa is the one forced to accept decisions which distort and change his program. Accordingly, is it possible that you will fall on your own sword as that was done by the Romans?

[Kupa] Look, I do not approve of politicians reviewing positions taken and decisions made by professional economists. I would not want to be in a position in which I would have to suffer the consequences of fiascos stemming from political decisions, although I have a good chance of becoming the culprit in the existing situation. I would be the one who managed the Economic Cabinet badly, the one who ruined the country. Yet, I feel that the Hungarian economy has departed on a promising path; the international milieu is evolving favorably. I am confident that we will succeed, accordingly I will carry through to the end.

Large Sum Said 'Missing' From Energy Statistics
91CH0705A Budapest BESZELO in Hungarian
29 Jun 91 pp 35-36

[Article by Ferenc Langmar: "Manipulation or Incompetence?—\$500 Million Disappeared From Statistical Records"]

[Excerpts] The scandalous situation created by the fact that there is a more than 500-million-ruble difference between the licensing and trade statistics of the Ministry of International Economic Relations [NGKM] responsible for the administration of foreign trade and the actual amounts the Hungarian National Bank [MNB] has paid out remains unclear to this date. In any event, the MNB has paid out 15 billion forints—the amount that corresponds with this difference—thus increasing the inflationary pressure and raising interest rates. Here is another stunning situation: some \$500 million worth of energy imports are missing from trade statistics published thus far. Accordingly, our trade balance, and probably also our balance of payments is worse by this much. [passage omitted]

According to the Central Statistical Office's [KSH] quarterly report imports worth about \$391 million are missing from the apparently favorable export-import data, for reasons of customs problems, so they say, and decisively because of the importation of electrical energy and crude oil subject to settlement in convertible currencies.

"Is this statement true?" we asked the simple question at the NGKM.

"We are working, and we are not making statements," an angry official at the statistical division of the NGKM, regretfully unwilling to identify himself, replied and hung up on us. They could not, or were not willing to respond to this question at the public affairs office either, but they at least provided information. Minister Bela Kadar prohibited the issuance of a statement, they said, and suggested that we call a certain (named) official in authority at the Ministry of Finance [PM]. (Isn't this some turnaround in the dispute between the NGKM and the PM? In this instance the PM is representing the NGKM!)

We talked to a number of PM officials. As it turned out, the ministry shares the KSH view. In their first-quarter report they stated that the actual energy imports were included in trade statistics, but not in the balance of payments. Consistent with the KSH report, according to the April report a large part of energy imports—about \$500-million worth—did not appear in the trade report either. The explanation for this may be traced to the fact that invoices are submitted with a delay and that terms call for payment within 90 days.

According to the PM, however, all this also means that the \$100-million trade surplus of the first four months actually constitutes a \$400-million trade deficit, and this deteriorates the balance of payments to the same extent.

According to one expert at the ministry, the largest part of imports not reflected in statistical data is tied to crude oil, natural gas, and to imports from the Soviet Union. They are able to recognize the discrepancy on the basis of data provided by enterprises, and primarily by the National Crude Oil and Gas Trust [OKGT]. Due to the peculiar features of energy transportation, customs handling does not take place continuously, instead it is tied to the submission of invoices. Let us add here that this statement somewhat contradicts the statement according to which these imports do not appear in foreign trade statistics because of the 90-day payment terms. But as it turned out, even the PM is feeling its way in the dark in a certain respect, and is forced to make guesses because of the lack of correct data. As the PM official said that we are welcome to inquire at any time, they know nothing anyway.

As we learned from MNB Deputy President Frigyes Harshegyi, the situation has been made more complicated by the fact that with respect to imported crude oil Hungary must pay by the 15th of the following month, while payment for natural gas must be made by the 30th.

However, this statement appears to be in conflict with other statements which in part argue that these imports do not appear in statistical records because of the 90-day payment deadline.

Harshegyi claims that he is unable to interpret the statement according to which these energy imports do not show up in statistical records and that they would deteriorate the balance of payments [as published]. Energy is imported against letters of credit, and the amount of such letters of credit continuously represents between \$200 million and \$250 million. Thus far, Hungary has satisfied all its payment obligations (the state budget contains a guarantee for such payments, and it was not necessary to take advantage of this guarantee this year). Based on data as of the end of May it is certain that Hungary held no unpaid energy bills.

The size of Hungary's year-end balance of payments deficit is the subject of great debate. According to the original plan presented to, and accepted by the International Monetary Fund [IMF] the deficit would amount to about \$1.2 billion. Favorable data (or data which appear favorable?) produced in the meantime changed the projected amount to \$900 million. The MNB is far more optimistic than that, and this view is represented mostly by Harshegyi. He has stated several times that a zero-balance balance of payments would be a real possibility by the end of the year, while the PM is more pessimistic. They find themselves in different situations, of course. While the ministry must defend the budget, the MNB must find creditors to whom it must project a much more favorable picture about the Hungarian economy.

This question arises: Could it be that the shortfall represented by the \$500-million item means that projections regarding the balance of payments should be changed? The answer is no, because Hungary had no unpaid energy bills as of the end of May, officials at the central bank claim. And viewed from the cash flow situation, i.e., by looking at actual revenues and outlays, the way the balance of payments evolved is much more favorable than expected, and therefore, we can afford to be optimistic.

On the other hand, the cash flow view of balance of payments data in other countries does not necessarily support the MNB's optimism, insofar as we assume that a large part of the statistical deviation evolved in the framework of trade with the Soviet Union.

According to NGKM annual statistical data for last year (one may, perhaps, give more credence to that) we imported energy resources and electric energy worth between 46 billion and 48 billion forints (by parties to the agreement, at border parity). Total imports amounted to 97 billion forints on the same basis.

According to end of April data, our imports from the Soviet Union subject to settlement in dollars amounted to less than 3.5 billion forints. Since a decisive part of energy imports is to be settled in dollars, this amount is

so small that one has reason to believe that it does not include a large part of the energy imports. All of this, however, may cause us to be pessimistic insofar as the balance of payments is concerned.

Accordingly, the discrepancies in data amount to tens of billions. Processes which could cause huge losses to the country cannot be followed in part because delayed and inaccurate information provision does not permit intervention, and in part because such data instigates one to take the wrong steps.

We are dealing with items amounting to tens of billions, while the fact that confusion exists is the only thing that's clear. And no one takes responsibility.

Antall Urged To Rethink Country's Debt Servicing

91CH0693B Budapest SZENT KORONA in Hungarian No 22, 19 Jun 91 p 2

["Text" of an open letter to Prime Minister Jozsef Antall from the National Opposition Roundtable; date not given]

[Text] The National Opposition Round Table hereby calls on the prime minister to have the government initiate without delay, through the intervention of the European Parliament, talks solely on alleviating Hungary's foreign indebtedness and on managing the bankrupt's estate inherited from the party-state.

The failure of the attempts during the past year to restructure the economy and society has demonstrated that annual debt-servicing costs of nearly \$4.0 billion are crippling the country!

We have to pay each year the equivalent of the reconstruction costs of two Gulf wars!

The Antall government's judgment forcing the Hungarian nation to repay the loans raised and squandered by the Kadar regime is brutal and unfair.

We regard as unacceptable the arguments of Laszlo Bekessi [as published], the Communist ex-finance minister, that over an above the internationalist obligations (more than \$6.0 billion in aid to Angola, the Polisario, Nicaragua, Cuba, etc.) and the huge investment projects serving foreign interests (Orenburg and Tengiz), the Hungarian nation collectively used up the loans, because the relative prosperity under goulash communism was based solely on the borrowed billions of dollars.

Not only a debtor, but also a creditor is needed to transact a loan. It is the duty of the creditor to examine the debtor's economic situation, his creditworthiness. The Western banks that financed the Kadar dictatorship's survival must draw the proper conclusion: that they financed the survival of a regime installed in the wake of Soviet tanks, after crushing the 1956 revolution and war of independence! The hated Kadar regime's

collapse became inevitable, and only the billions in loans delayed the historical necessity of its collapse.

The Hungary of today cannot be held responsible for the shameful financial manipulations of the capitalist circles that cooperated with Kadar and his followers, to rescue communism. The Hungarian nation has nothing to do with Kadar or Rakosi, or even with Karoly Grosz and Miklos Nemeth who led the efforts to salvage the party-state!

Our present acknowledged foreign indebtedness is \$22 billion. That lethal burden is the legacy solely of the power elite, of the financial lobby, of the criminals collaborating with the IMF who poured money into the reform-communist concepts without counting it. Jozsef Marjai, Miklos Nemeth, Peter Megyessy, Laszlo Bekessy [as published], Istvan Hetenyi, Janos Fekete, Mihaly Kupa, and their accomplices bear also personal responsibility for the emergency that is now crippling the nation. For the Hungarian nation had never wanted communism, and has nothing to do with the looting, resulting from its defenselessness, ever since Hungary's occupation on 19 March 1944.

In addition to the billions owed on foreign loans, domestic indebtedness is also a cause of the Hungarian economy's paralysis. About 2 trillion forints is the grand total of the [domestic] debt that Kadar and his followers created artificially, and which the government now in power has also assumed. Without the drastic settlement and cancellation of this debt, Western capital will not participate in putting the Hungarian economy back on its feet.

The return of the private property that the Communists robbed is a mandatory task for the prime minister. The "Compensation Law" sanctions the robbery; its cynical, half-hearted and forced implementation will plunge the country into civil war.

On 30 June 1991, in accordance with international agreements, Hungary's foreign occupation will cease and the Soviet troops will leave. As [citizens of] an independent, sovereign state, Hungarians are demanding that we also be freed of the financial burdens we assumed when blackmailed by occupation! The hundreds and thousands of unemployed persons, the hungry millions, the nation destroyed by inflation want to live. The plundering of the country must end, and the promised change of regimes must be carried out without delay! As the first step in that direction, the financial lobby must be fired, our debt-servicing obligations must be suspended immediately, our foreign indebtedness of \$22 billion must be renegotiated through the European Parliament, our domestic indebtedness must be cancelled, and there must be unconditional reprivatization.

Through its international contacts, the National Opposition Roundtable will immediately initiate efforts to win endorsement of its ideas for solving our foreign indebtedness.

[Signed] National Alliance of Hungarians
Radical National Party
Alliance of Rightful Owners
Justice for Martyrs Committee
Save Transylvania Committee
National Opposition Round Table

OTP Branch in Chaos; Loan Terms Misrepresented

91CH0693A Budapest TALLOZO in Hungarian No 24,
14 Jun 91 p 1128

[Article by Ildiko Vrana: "The Triumphant Progress of Bureaucracy at the National Savings Bank"]

[Text] I really am not the complaining type, but let me tell you of my recent experience at the Rakoskeresztur branch of OTP [National Savings Bank].

Having a savings account for young people, I decided to apply for a purchase loan (and how I wish I had never done so!). For I had heard that the cost of such a loan was merely 6 or 7 percent, and that its term could be as long as five years. On learning about the restrictions placed on such loans, I was not very surprised that only the products on a certain list could be purchased, and I was able to figure out for myself that a bicycle, say, was not an item of household furnishing. But that much more unexpected was the scornful and lecturing tone, to put it mildly, in which the woman who heads the section which disburses such loans told me that an electric iron, according to the list, was not an item of household furnishing, but that the knick-knacks available in PAVA stores qualified as such. (Just Imagine how pleased a young couple might be with the advantages that such a loan offers, when they have already packed their home full of knick-knacks, but do not yet have anything to replace an electric iron, an essential small appliance in every household.)

Fortunately, I am not in such a fix and could dispense with the electric iron. Then I listed at least three more items of houseware that were on my wish list. Whereupon they thrust that magic list under my nose, from which it also turned out that I could purchase no merchandise of Western origin; I had to be satisfied with enjoying the advantages (or, unfortunately, mainly the drawbacks) of goods made exclusively in Hungary or in the former "fraternal" countries.

Because I did not know offhand the market prices of the items on the list and could not immediately make up my mind what to choose in place of the items I had wanted, but which the OTP had rejected, I asked the woman whether I could have a copy of the list that ran to a 1.5 pages. That was not possible, she replied. Why? Perhaps they did not have a copier in the office? Yes, they had one. Then why not? I offered to pay for a copy. Evidently with a measure of goodwill, she consulted her boss, also a woman. Her categorical "no" settled the issue. Seizing a last opportunity, I addressed her across the counter.

Walking about with the dignity of an empress, she did not even deign to turn her vacant gaze toward me.

Spoiled by so much courtesy, I would have liked to leave as quickly as possible, with the letters of credit made out to my name. But the red tape that evolved on the basis of socialist work methods was just beginning. Slightly modifying the typical work style of "one works while the others look on," the majority of the staff chatted, made telephone calls, exchanged recipes, discussed raising their children or went shopping. They called my name merely an hour later, and it was with relief that I put away the letters of credit. And, of course, also with a promise to myself never again to apply for a loan.

The real surprise came about two weeks later, when I received a letter informing me in detail about the conditions of repayment. While it is true that the interest rate on purchase loans obtained on the basis of savings accounts for young people is merely 6 or 7 percent, the

OTP's handling fee is over 10 percent! Because nobody had ever told me this before (not even during repeated requests for information, over the phone and in person as well), I think it is extremely unfair that I have to pay a handling fee of 18.5 percent, instead of 6 or 7 percent interest.

After all this, I do not understand at all why they are advertising the special savings accounts and loans for young people as the most attractive way to save and to obtain loans, respectively. Perhaps because a series of guarantors has to be lined up to underwrite a loan for even a few tens of thousands of forints; because they specify what can and what cannot be purchased with the loan; because they charge three times the annual interest as a handling fee; or because—on top of all this—they treat a person as if he were begging for a handout? I would indeed be interested to hear the views of the officials concerned.

Democratic Party To Run Alone in Elections

LD2007211591 Warsaw Radio Warszawa Network
in Polish 2000 GMT 20 Jul 91

[Text] The Democratic Party [SD] is to go into the fall parliamentary elections as an independent force, which does not, however, preclude alliances in particular constituencies. This decision was made today by the party's Supreme Council. SD Chairman Aleksander Mackiewicz said that recent months have not given Poland hope and faith to believe that the new social and economic reality is leading us to the desired goal.

Officer Regrets Absence of Army Purge

AU2307142291 Gdansk TYGODNIK GDANSKI
in Polish 30 Jun 91 p 3

[Interview with Colonel Stanislaw Dronicz, member of the Army Reform Committee, by Wieslawa Kwiatkowska; place and date not given: "An Infected Army"]

[Text] [Kwiatkowska] You are known for the honest way in which you talk, so perhaps I will learn from you what is happening to our Army. Is it still the same one that was politically indoctrinated and mobilized against society, or have some changes already been made to it?

[Dronicz] Have some changes been made? I should think that General Jaruzelski is the man who prevented them. He was president and head of the Armed Forces, so he could calmly carry out whatever reforms he wanted and no one in Poland could stop him. There were no reforms to the Army, which proves that as long as he was army chief, there was no possibility of reforming the Army. Now we have a new army chief and president, Walesa, and a new prime minister, so only now do we have the conditions to reform the Army. Because of the "round-table" deal the Army has survived as an enclave of the communist system. In February Prime Minister Bielecki ordered the reforms to begin.

[Kwiatkowska] So late? Surely that should have been one of the new government's first tasks.

[Dronicz] In any case, Prime Minister Bielecki has made the decision and appointed a reform committee. Its chairman is Minister Zabinski, and Minister Onyszkiewicz is also directly involved. A new Defense Ministry structure unheard of in East Europe is taking shape. It will be headed by a civilian politician, with three vice ministers under him who will also be civilians eventually—a vice minister for training, whose role will diminish, for specialists in training should no longer be necessary in the reformed Army; a vice minister of defense policy, who would work out the whole of defense policy in concert with parliament; and a third vice minister responsible for the military infrastructure; i.e., the defense industry and military supplies. Right now there are not enough civilians with military training—that is why for the time being these posts will be occupied by military men and only later by civilians. Once these civilians have completed their training in a few years'

time, we will be like the Western countries. This is a complete break with central and east European tradition, so why are we doing it? In order to separate the Army from politics. Completely.

The second factor affecting the shape of the reform is the Vienna accords, which are meant to limit the size of military contingents in Europe. Every country has declared that its army is to be used solely for defense, and if so, each army is to be smaller than before. The weapons which would be of decisive importance in a military strike—aircraft and tanks—must be reduced. We have been given a limit, which indicates that we have one-third too much of everything—materiel and men. According to Minister Onyszkiewicz's concept, the Army is to consist only of those who will actually go to war and fight, so there will be no room for office clerks, builders of barracks, or commanders of recreation centers. Even the hospitals need not be military. Following the reforms, the Army will number between 230,000 and 240,000; today it numbers 305,000. The same proportions apply to aircraft and tanks. Everything will be cut by one-third.

[Kwiatkowska] That is the intention. But the "communist enclave" still exists. Why has there been no military review yet? Why have the officers responsible for atrocities against the nation not been removed? Siwak, Kiszcak, Oliwa, and Baryla are still wearing their generals' epaulets and driving around in official cars.

[Dronicz] Yes. That is a moral tragedy, as a result of which the Army was left out when Solidarity took power. There was a lot of energy to reform the militia—I will not say whether this was done well or badly—but the militia cadres were investigated, and each one of them was able to say that he was interviewed and had an opportunity to explain his past activity. But in the Army that did not happen.

[Kwiatkowska] Why not? Whose fault is it?

[Dronicz] It is difficult to blame any one person. It is difficult to say whether or not Prime Minister Mazowiecki could have done anything if General Jaruzelski was the head of the Armed Forces. Nevertheless, the Army reform will begin to be implemented within the next few months, and no one in the leadership cadre has done anything. There has not even been a cadre review, which would not have been difficult at all. All that was necessary was to devote a little time to each military person, check his personal records, assess his past, and decide whether or not he can stay in the Army. That applies mainly to the leadership cadres. The Army cannot carry out a review of itself; all it can do is relocate its personnel, e.g., the military attache in Korea can be appointed military attache in Greece. We have all been trained to fight NATO. The political and emotional dependence on the Soviet empire has been so strong that people are incapable of changing themselves. I mean in particular the commissars, the architects of martial law, who prepared it in secret, cooperating with the Soviet

Army command. Kuklinski defected, but the others remained. Now everyone has carried out a volte-face. Entire convoys visit the Jasna Gora monastery in their official cars. They attend mass and take part in processions. Eighty of them have even gone to Lourdes. And these are the very same people who used to be known for their party activity during the period of the greatest struggle against Solidarity. The church is entitled to forgive anyone who kneels and repents sincerely, but a politician has to be cautious.

[Kwiatkowska] They say that if a purge were made at the top and everyone over the age of, say, 40, were to be discharged, the problem would be solved and those in disgrace would fall out.

[Dronicz] And who has joined the Army since the emergence of Solidarity? I do not think anyone has joined for patriotic reasons. The "homo sovieticus" type of person joined the Army, and others did so in order to get an apartment or a good salary. Today these people are hidden inside the Army, waiting for the disgraced generals to be dismissed so that they can fill their places. As far as the Army's moral rejuvenation for the sake of the independent country is concerned, the consequences of the mechanisms of action could turn out to be particularly dangerous. An interministerial commission should review the military leadership and indicate which people should stay and which should go. There are too many professional cadres in the Army. Each post has five or six people trained for it, so it should not be difficult to remove the excess people. It is enough to give them their pensions. Since nothing has been done for one-and-a-half years, it is difficult to stand them in front of a court now.

[Kwiatkowska] Where are training officers being recruited from?

[Dronicz] The political apparatus has been reduced from 5,000 to 2,500, but the political core remains unaltered. And these people have been made training officers. That is a moral outrage. The same people who performed communist indoctrination yesterday are educating soldiers in the spirit of Catholicism today. They have undergone a conversion overnight. Now they check to see if anyone misses Mass, if anyone has not been baptized, if anyone has not had a church wedding. They take part in every church procession. They establish quotas, deciding how many officers should attend Mass, how many noncommissioned officers should do so, and so forth.

[Kwiatkowska] I feel dismayed. Has it not even been possible to dismiss political officers from the Army?

[Dronicz] Prime Minister Mazowiecki did appoint two vice ministers, but did not give either of them personnel powers, so they could not intervene. They had no authorization. It is unfair to accuse them of failing to carry out a personnel review. It is the minister of national defense who is responsible for the cadre department.

[Kwiatkowska] But why are things still this way? Why has Minister Komorowski retained the political apparatus and merely ordered it to train soldiers "in the new way"?

[Dronicz] I do not know.

[Kwiatkowska] Does the National Defense Committee [KOK] still exist?

[Dronicz] In principle, yes. The National Security Council also exists in principle. I say in principle because these are constructive changes that require Sejm legislation. The Warsaw Pact has gone, and KOK will go with it. But that does not matter. KOK is not a communication channel with the Russian empire because it is chaired by a democratically elected President Walesa.

[Kwiatkowska] We know that Poland is infiltrated by the KGB more thoroughly than in recent years. In the "Interpelacje" program, Interior Minister Majewski could not or would not discuss this. Perhaps you can?

[Dronicz] I am convinced that Poland's transformation is the best opportunity for the Russian empire to introduce its agents. Their people are bound to be in Poland already. They might be sitting quietly for the time being, but in the new conditions they will revive like bacteria. There certainly was and still is a KGB net. It has merely gone quiet or changed its method of operation.

[Kwiatkowska] Is there any Soviet influence in the Army?

[Dronicz] I suspect that those who received their training in the Soviet Union, especially those trained in intelligence or counterintelligence, still feel this influence. One should not view this as treason, but they should quit their leadership posts all the same.

[Kwiatkowska] What about the Soviet Army? Will it leave Poland if we ask it nicely?

[Dronicz] The Soviet Army's role is nil. The number of troops here is not enough to protect anything. They are a relic of the Warsaw Pact, which was prepared to fight NATO, which means that their presence here is an external danger for Poland, it might draw us into a whirlwind of events that we do not feel in the least bit inclined to take part in. Apart from that, as long as they are here we cannot join NATO. However, removing them is not a simple matter. We winced when General Dubynin said the Soviet Army will leave when it wants to. Then it became clear that there is no way we can remove them by force. All we can do is beg, or make their stay here difficult.

[Kwiatkowska] Perhaps they have no intention of going at all?

[Dronicz] I do not have the slightest doubt that they wish to stay. Only political conditions can force them to leave—pressure on all fronts and appeals to public opinion, and even the United Nations. But I do not think

they will be moved by the shouts of young people outside their barracks. The Russians are immune to such actions.

[Kwiatkowska] This sounds terrible. We are supposed to be living in an independent country, but we cannot dislodge a neighbor's army. Our own Army is trained to fight NATO. You say there will be a reform, and that the Army will be depoliticized. How can it be depoliticized if there is no sign of any personnel review? How can one depoliticize cadres who were trained by the GRU [Main Intelligence Directorate]? You yourself said that the old connections might revive like bacteria. To add to all this, a civilian defense minister would be in command during the next war. This is all too much.

[Dronicz] Neither the president as head of the Armed Forces nor a civilian defense minister will be able to take command if there is a war. Operational-tactical decisions must be in the hands of military men. This has traditionally been the task of the commander in chief of the Armed Forces, but according to the new plans the person responsible will probably be the chief of the General Staff.

[Kwiatkowska] Please do not frighten me.

[Dronicz] I am not giving any names, the reform does not mention names, only tasks. The duty of the chief of the General Staff will be to prepare the Army for war and command it during a war as commander in chief of the Armed Forces, in which case the General Staff would be commanded by his first deputy.

[Kwiatkowska] What is the "Viritim?" [Latin term for "individual"—reference to principle whereby entire nobility took part in electing Polish king in 17th and 18th centuries]

[Dronicz] The "Viritim" was formed because of the lack of an Army reform. A few anxious souls became vociferous and decided to act in an organized manner. Their aim is to reform the Army and carry out a cadre review. Minister Onyszkiewicz has invited some people from the "Viritim" to take part in the reforms, so they should feel pleased. However, as far as the cadre review itself is concerned, that is a separate matter because right now there is simply no sign of it.

The "Viritim" is strongly linked to the Center Accord; therefore, it has violated the principle whereby the Army should be apolitical. Of course I realize they were looking for a protective umbrella, but the principle has been violated. What would happen if some military men joined one party and others joined another party? If that happens, one cannot blame the communists for linking themselves with some political organizations. Apart from that, if the head of the Armed Forces is a democratically elected president, Lech Walesa, and the "Viritim" calls itself a secret organization, vis-a-vis whom is it secret? Walesa? The prime minister? Society?

[Kwiatkowska] That proves that nothing has changed.

[Dronicz] You said it.

Farmers To Pay Dues in Kind as Protest

LD2007202591 Warsaw PAP in English 1909 GMT
20 Jul 91

[Text] Warsaw, July 20—The Private Farmers Solidarity adopted a resolution here on Saturday under which farmers are going to offer farm produce instead of money to pay their dues starting August 15 as a form of protest against the government's liberal approach to big food imports from the West. The union also said it is going to quit the Agricultural Market Agency, a body responsible for the emergency buying of Polish farm produce.

Gabriel Janowski, the union's chairman, said nothing has changed for the better in the purchase of farm produce, as the government policy continues to favor massive inflow of Western farm produce into this country.

Over the first quarter of this year alone, various companies supplied meat processing plants in Rzeszow Province, in southeastern Poland, with a formidable 73.5 percent of their demand for raw materials, one union member said.

Both the Private Farmers Solidarity and the PSL [Polish Peasant Party] Solidarity on July 20 voiced their willingness to go within a peasant alliance for the coming parliamentary elections in Poland, despite the recent withdrawal of the PSL party from the group.

Dragan's Influence Network Examined

91BA0889B Bucharest ROMANIA LIBERA
in Romanian 2 Jul 91 pp 1, 4

[Article by Sorin Rosca-Stanescu and Dinu Zamfirescu:
"The Dance of the Communist-Nationalist Extreme"]

[Text] Eugen Barbu and Corneliu Vadim Tudor's SAPTAMINA was the whip used by the Romanian political police in its account-settling with the intellectuals. Every time it became necessary to "expose" a writer, the Securitate disinformation directorate went to work to manufacture the so-called indicting documents. It was no coincidence that Eugen Barbu and Corneliu Vadim Tudor were standing guests of honor of the Securitate literary circle. The author of *The Pit* was even the president of the literary circle. And whenever some scandalous case was on the docket, such as Pordea's case, SAPTAMINA defended the Romanian Securitate agent infiltrated in the European Parliament.

In connection with Pordea, Corneliu Vadim Tudor wrote in SAPTAMINA that he was attacked in the free world press because he "struggled and suffered for Transylvania." There was no connection between Transylvania and the Pordea scandal, but how were the readers of SAPTAMINA to know what was happening in the West? In other words, the same record that the ROMANIA MARE bards are still playing for us week after week.

Few people are aware of the relations that existed in the last Ceausescu decade between the management of SAPTAMINA and Iosif Constantin Dragan. Few know about the trips taken abroad by E.B. and C.V.T. at the expense of Iosif Constantin Dragan.

A few years ago, in order to gain some advantages and confuse the public a bit more, Eugen Barbu went to the PCR [Romanian Communist Party] Central Committee and deposited his party card. He took it back quickly, but not before brandishing a threat. What was the threat? Iosif Constantin Dragan. The same Iosif Constantin Dragan who could be seen by the public on television newsreels in the company of the Ceausescu family. The same Iosif Constantin Dragan who lectured in Bucharest—guess where? At the Foreign Ministry! Why would Ceausescu do this kind of favor for an exile multimillionaire? Who was helping publish Ceausescu's genius work abroad? Through whom did Bucharest's propaganda apparatus manage to infiltrate laudatory articles about the Romanian satrap, that used to appear in many world publications, albeit second rate ones?

What interest did the multimillionaire Iosif Constantin Dragan have to cooperate with Ceausescu's Securitate? This is what the Romanian Intelligence Service [SRI] should be doing to justify the huge amounts of taxpayers' money it is getting: Find out what business Mr. Iosif Constantin Dragan did with the Romanian Government, before and after Ceausescu, either directly or

through intermediaries. But until we have a genuine Intelligence Service in Romania, let's go back to a few things we know ourselves.

There have undisputably been concerted attacks mounted against certain "targets" by the Securitate organ SAPTAMINA and by certain exile publications sponsored by or under Iosif Constantin Dragan's direct influence. While Eugen Barbu's SAPTAMINA violently attacked Ion Caraion's book *Comrade Hitler's Insects* for saying that fascism and communism are nothing but related forms of the same totalitarianism, several exile publications—STINDARDUL, VATRA, AZI SPRE MIINE—were doing the same thing. In his turn, five years ago Paul Goma stressed "the odd nature of this close cooperation between Eugen Barbu's SAPTAMINA and STINDARDUL or CARPATII in exile." Mihnea Berindei also noted that the director of Radio Free Europe was attacked on identical grounds and in a similar manner both in SAPTAMINA and in STINDARDUL. Like in the Pordea case, in the other situations, too, the mechanism perfected by the political police must have functioned satisfactorily even among the exiles, since the most active opposers of the regime were denigrated in right-wing publications.

The same convergence appears today between the interests of the Romanian authorities, the political police, and Iosif Constantin Dragan (perhaps more discrete, but equally efficient) and on the other hand, between Iosif Constantin Dragan and the nationalist-extremist movement Vatra Romaneasca [UVR], the PUNR [Romanian National Unity Party], and ROMANIA MARE. Mr. Iosif Constantin Dragan's foundation donated a printing press to RENASTEREA BANATEANA (the former party newspaper DRAPELUL ROSU) of Timisoara. Iosif Constantin Dragan is the honorary chairman (what else?) of that publication. Thus, ROMANIA MARE's younger sister has become a branch of the Dragan Foundation. This affair has become notorious: The campaigns launched by this newspaper, which does not carry a masthead indicating the composition of its editorial staff, are aimed against trade unions, democratic organizations, and city notables. The articles which convey RENASTEREA BANATEANA's politics are either not signed, or at best they appear under pseudonyms. Were it not so, former members of the *nomenklatura*, notorious Securitate members, or SRI members shifted bag and baggage to the nationalist-extremist network might have to admit the paternity for them.

The same Iosif Constantin Dragan, about whom the prime minister, in a discussion I had with him, pretended to know almost nothing, brought 12 radio stations to Timis County alone. He is also preparing to open a private television station in Iasi. He is founding the Columna European University in Bucharest. He controls the magazine NATIUNEA. He is honorary chairman of the UVR. Knowing his past, his objectives are clear: to gain control of the mass media and to acquire political control through the medium of communist-nationalist organizations. One after another, new localities and

organizations (the latest such case was the Romania Mare Party) become antennas serving the Dragan network on the Ruen [Rouen] model we mentioned in a previous installment, staffed by Romanian Securitate members.

The next move will be the Army. Not coincidentally, guess where ROMANIA MARE has been organizing political education? Among the Transylvania Army Corps. What underground links might there be between the Dragan Foundation and the Romania Mare Foundation? We do not know all the details, but the "working" methods are the same: apparently philanthropic gestures designed to draw naive people to these organizations, who are then used for nationalist-extremist actions. If we consider all the indications available about the fact that—at least in the last few years of Ceausescu's dictatorship—the funds of the disinformation directorate shared joint channels with Iosif Constantin Dragan's funds, the logical deduction is that the situation is not any different today.

Messrs. Eugen Barbu and C.V. Tudor feel at home both at the Interior Ministry and at the SRI. The meritorious awards they have received tell a long story. The generous ROMANIA MARE and EUROPA make donations to the Interior Ministry and the Interior Ministry expresses

official thanks to them. SRI spokesman Nicolae Ulieru (a former permanent collaborator to E. Barbu's SAPTAMINA), is a prolific writer. He writes for ADEVARUL under his own name and for other newspapers under pseudonyms. He writes unsigned articles for AZI, in which he claims that there is no political police in Romania. There isn't? ROMANIA MARE carried fake documents manufactured by the political police, or "extracts" written in "wooden language," signed, as we know, on behalf of...groups of citizens. Ceausescu's bank accounts have sunk into eternal oblivion. General Stan, the former deputy chief of the disinformation directorate in the Romanian Securitate and Mr. Magureanu's deputy until the Berevoiesti case, also disappeared—to all appearances. He left behind the entire cohort of the disinformation army of the Romanian political police. They are veteran, skilled professionals who earn their bread "honestly." They work hard. The SRI is so busy spreading disinformation that it is no wonder they do not manage to catch any spies. But as everyone knows, Mr. V. Magureanu, our poor little country is teeming with spies and foreign agents who foster instability. ROMANIA MARE's masthead reads: "We Will Once Again Be What We Were and Even More." That they are what they always were, we know. God forbid they should become even more so!

Shifts in Croatian Government Analyzed

91BA0908A Zagreb DANAS in Serbo-Croatian 9 Jul 91
pp 28-29

[Article by Zoran Daskalovic: "From an Expert Government to a Wartime One"]

[Text] At a time when all Croatian questions have been reduced to one—will war, after the former increasingly more unbearable yearlong overture to it, swoop down upon Croatia as well in its full fury?—Dr. Franjo Tudjman and his closest team, who under such conditions are increasingly turning into a wartime Croatian leadership instead of a political and state one, overnight, at least as far as the public is concerned, replaced the top people in the Ministries of Defense and Internal Affairs. Dr. Sime Djodan, last year's "bull in a china shop," has advanced to become minister of defense. Dr. Onesin Cvitac, who in Split, after one year of struggling with the hardline HDZ [Croatian Democratic Community] core there, had already packed his luggage and left for Rome where he was supposed to deal with the Croatian state's foreign affairs and represent its interests, was reassigned to Zagreb, precisely to the position of the head of the Ministry of Internal Affairs.

Assembly Line

These changes are part of a series that have been taking place as if on an assembly line ever since last August, when after less than three months, a change was made in the head of the Croatian government, and Josip Manolic was promoted to prime minister instead of Stipe Mesic. In all those numerous personnel changes, people have sought their background and tried to discern changes in the policy of the ruling HDZ. As all of them were inadequately explained and were also accompanied by various rumors, the search for their political background is like palm reading. The first Croatian government elected after the multiparty elections, at that time still the Executive Council, had 15 members, and the Assembly also appointed four committee chairmen who were not members of the Executive Council. Subsequently, Dr. Davorin Rudolf, Janko Vranyczany Dobrinovic, and Dr. Branko Babac, who were responsible for the Ministries of Maritime Affairs, Transportation, Communications, Tourism, and Justice, were added to that team. Stipe Mesic, who was charged with forming the government, presented that team of his as a government composed of "experts, without regard for party membership, and the people selected have the strength and knowledge to do their jobs. Let us work, and let us go a step further, prepare a program, and identify the limitations and strategic ways out of what we find ourselves in."

Those who are still present in the current government from that first group, whose primary task was seeking a remedy for the staggering Croatian economy, are Dr. Milan Ramljak, Bernardo Jurlina, Dr. Andrija Hebrang, Dr. Osman Muftic, Dr. Bozidar Udovicic, Ivan Tarnaj, Dr. Vlatko Pavletic, Dr. Davorin Rudolf, and Dr.

Branko Babac. Stjepan Mesic, Milovan Sibl, Gojko Susak, Janko Vranyczany Dobrinovic, Petar Kriste, and Zdravko Mrsic, and allegedly Josip Boljkovac, have been transferred to other duties. Dr. Mato Babic, Dr. Drazen Kalodjera, Milan Hrnjak, Marin Crnja, Dr. Stjepan Zdunic, and Dr. Zvonimir Medvedovic are no longer close to the center of power.

Purchase of Weapons

Even Mesic's replacement by Manolic as the prime minister elicited controversial views. While it was officially explained by the need for the Croatian leadership to have its own man in the SFRY Presidency instead of the inherited Dr. Stipe Suvar—because of the increasingly more intense Yugoslav negotiations—there were also rumors among the public about the quiet removal of Mesic because of the unproductive functioning of the government, in which different concepts and visions of the development of Croatia had gained sway and he personally did not know how to oppose and surmount them. This remained, however, only a rumor that was never substantiated. Along with Manolic as the new prime minister, retired general Martin Spegelj was also appointed instead of the former minister of defense, Petar Kriste, for whom the position of minister of commodity reserves was left. General Spegelj was included in the government immediately after the rebellion in the Knin Krajina and the first major unrest and Croatian-Serbian conflicts in post-election Croatia.

As early as September, Drazen Kalodjera left the government because of disagreements with Vice President Mate Babic over the issue of privatization and thus over the concept of economic development, for which he was responsible in the government. Babic was also dismissed as early as November, however, and Franjo Greguric was appointed in his place. This was explained by the need for the government to become more effective, and Greguric was to contribute to this by bringing his practical economic experience. Nothing was said either then or later about whether there was any significance in this regard in the fact that Greguric had been at the head of the foreign trade enterprise Astra, which played a key role in the purchase of weapons for Croatia's needs in place of those which the JNA [Yugoslav People's Army] seized and took out of the Croatian TO [Territorial Defense] warehouses. At the same time, Zdravko Mrsic, the minister of foreign affairs, was transferred to the position of director of the government's Agency for Restructuring and Development, which was also interpreted in the corridors as a demotion for him. Now, however, when the Agency's full role and place in the transformation of ownership in Croatia has been demonstrated, it is clear that one of the government's most influential levers fell to Mesic. Dr. Vinko Frane Golem was appointed in his place. At that time 11 of 12 deputy ministers were also replaced.

Several Months' Lull

This was followed by a lengthy lull, lasting for several months, in the constant personnel changes in the

Croatian government. Although Dr. Franjo Tudjman announced a fairly significant reconstruction of it in the final days of January 1991, because of the uncertainty that loomed over Croatia in those days all of those changes were postponed for more favorable times. The personnel merry-go-round began to turn again in March. The Ministries of Defense and Internal Affairs were significantly strengthened. The minister for emigrants, Gojko Susak, was appointed deputy defense minister. The deputy minister of internal affairs, Gojko Susak, was dismissed, and Slavko Degoricija was appointed in his place. Minister Boljkovac also received new assistants: Jerko Vukas, Vica Vukojevic, and Zlatko Lenc. Jurica Pavelic was appointed director of the Development Fund instead of the dismissed Dr. Zvonimir Medvedovic. Also dismissed were Ministers Marin Crnje, Milan Hrnjak, and Milovan Sibl. Milovan Sibl was appointed director of HINA [Croatian Information and News Agency] instead of Josip Sentija, who became Tudjman's adviser. Sibel was replaced in the Ministry of Information by Hrvoje Hitrec, and Anton Vrdoljak came to replace the latter as general director of Croatian Television. Vice President Jurlina also took over the Ministry of Social Welfare, and Hrnjak's Ministry of Construction remained vacant. Soon the minister of maritime affairs, Davorin Rudolf, also took up the ministerial baton in the Foreign Ministry instead of the dismissed Vinko Frane Golem who left for the Croatian Office in the United States. Also announced was the departure of Minister of Tourism Janko Vranyczany Dobrinovic for the Croatian Office in Brussels. His successor is still unknown. And finally, there also came the above-mentioned dismissals of Minister of Internal Affairs Josip Boljkovac and Minister of Defense Martin Spegelj. Spegelj had already previously been appointed the commander of the Corps of the National Guard, that embryo of the Croatian army, and Boljkovac, as has been announced, has a responsible position in the Ministry of Internal Affairs.

There was much public speculation about all those changes, and even different interpretations of them. At first, it was usually concluded that the HDZ, because of the shortcomings of its program and its undefined concept of the development of Croatia, and the lack of qualified and expert personnel, was wandering in search of a team that would create a policy more appropriate for the situation facing Croatia. Regarding some of the changes, there were also stories about the immorality of individual members of the government and their pursuing personal interests at the expense of social ones. There was even criticism of Franjo Tudjman and his closest collaborators for wandering in search of personnel and seeking people obedient to themselves in order to strengthen their position in the government even further. There was probably a little of all that, but when one seeks a common thread in all those personal changes, at least one tendency can be observed.

Since Josip Manolic took over the helm of the government, in each successive change in its composition the most significant changes have been in the Ministries of

Defense and Internal Affairs, and then in the Ministry of Public Information. The changes in other areas were also considerably synchronized with the previous ones. Several months after his appointment as minister of defense, General Martin Spegelj renounced his positions, publicly stating before his appointment that the JNA should be transformed in accordance with the changes that were taking place in Yugoslavia in those months. He also joined those who had even previously advocated the founding and establishment of an independent Croatian army as one of the fundamental guarantees of Croatian independence and sovereignty. Until then, he had advocated radical changes in the JNA, but nevertheless not ones that would have completely affected its unity. That change was followed by the strengthening of the police, the purchase of weapons, organizational changes, an increase in the number of its members and particularly its reserves, but also personnel changes in the ministries themselves and in the government as a whole.

It was not enough just to make organizational and personnel reinforcements in the Ministries of Defense and Internal Affairs; it was also necessary to create a team that would contribute in a synchronized manner to strengthening those most governmental parts of the government mechanism in the area of information as well, to collecting means for its technical and material reinforcement, and to ensuring their procurement from abroad through various channels because it was impossible in Yugoslavia. In short, during that whole time Croatia was preparing its state leadership for a possible war in terms of personnel as well. In doing this, the criteria of trust and loyalty to the top leadership were of primary significance, because all of these activities were carried out virtually underground. In any case, despite that caution, information and details leaked out all over the place. The most recent appointment of Djodan and Cvitan has mostly completed that personnel staffing.

Particular public attention was aroused by the appointment of Dr. Sima Djodan as minister of defense. It is usually interpreted in terms of the predominance of the extreme part of the HDZ, which for a long time now has been advocating the renunciation of political means and the use of force to suppress rebellions in those parts of Croatia where the Serbian population is in the majority or is numerous, as well as advocating preparation for armed resistance to a possible JNA intervention. Such interpretations are based on Djodan's public activity, which has won him the image of the crest of the HDZ hawks. His occasional peacemaking has not essentially changed impressions of him. His promotion to minister of defense, however, can also be interpreted in terms of Dr. Franjo Tudjman's intention to use Djodan to reestablish control over the militant wing of his party. For several months now, it has been obvious that some regional HDZ organizations, especially those in Slavonia, are taking a more radical approach, and even opposing certain decisions by the party and state leadership. Djodan, as a sacrosanct authority among the HDZ

hawks, is also a person who can control them. This is provided that Tudjman can do the same with his new defense minister.

Loyal Person

Onesin Cvitan's promotion has opposite implications, and is even confusing to many people. Close to Tudjman and the moderate HDZ faction in his Split conflicts with the hardline HDZ members, he had to withdraw and leave for the Italian capital. His stopping in Zagreb, until further notice, can be interpreted by Tudjman's decision to put a person loyal to himself at the head of Internal Affairs, and to carry out and organize what he and his closest collaborators, primarily Manolic, agree on. Since Tudjman recently obtained Zdravko Mustac as his special adviser—a career policeman familiar not only with the Croatian police but also with the federal ones—a person like Cvitan may be welcome in carrying out the tasks that they create above him. By transferring Spegelj to the position of commander of the Guard, which he will have to organize like a classic army, Tudjman and the HDZ leadership have completed the personnel of their—and Croatia's—wartime cabinet. Time will show whether this also means at the same time renouncing political means in the search for solutions to the Yugoslav crisis and Croatian independence—the HDZ's campaign promise. In any case, Tudjman and the Croatian state leadership have made personnel preparations to prepare the Croatian government for war. The question remains: Can a government constituted in that way also cope with the numerous and increasingly greater peacetime problems facing Croatia? And are Croatia's citizens prepared for living only in wartime conditions, or do they expect their government to ease for them the increasingly more unbearable conditions of their everyday existence?

Inefficiency, Other Problems Seen as Death of YPA

91BA0916B Belgrade NIN in Serbo-Croatian 12 Jul 91 p 12

[Article by Slobodan Reljic: "Clay Army"—first paragraph is NIN introduction]

[Text] The death of the YPA [Yugoslav People's Army] could not be any different from the death of the state whose guarantor it was. Like the state, it too has first had to be humiliated, and—also like the state—it refuses to die from (respectable) shame, insisting on dying from stupidity.

Who does not remember this maxim from the Army: "The M-70A gun is used to destroy the enemy's living forces and resources"? But today's version of this euphemism ("when instead of the proper expression for something unpleasant, terrible, ugly, and bad, one uses a milder and prettier word"—M. Vujaklija, *Lexicon of Foreign Words and Expressions*) is simply this: The domestically produced "Kalashnikov" can be used to kill

someone with whom you do not agree (preferably someone of a different nationality, but not necessarily).

So here you have an army (the Yugoslav People's Army!) that has existed for half a century, where nothing has been called by its real name. It was the guarantor of a state in which there was also a disinclination to speak succinctly and clearly. Few people have any doubts about the fact that this state has died. But the leadership of its army has recently sent a message to barracks all over the country, a sort of "Thesis for the Soldiers' Information": "To irrationality, hatred and attacks, the Army responds in a civilized and humanistic fashion, with camaraderie and mutual confidence within its ranks, with sincere fraternity and unity, which even today are borne out in practice, among other things through countless friendships all across Yugoslavia, through kilometers of roads, canals, bridges and other structures constructed for society, and above all through its national and pan-Yugoslav essence. The YPA has been and remains the unified armed force of all Yugoslav nations and nationalities."

That is the kind of army it is. The MPV (moral and political education) program has been held onto "for dear life," and it, in turn, has been reduced to 20 black-and-white pamphlets. The stereotypes presented there—the SFRY, the NOB [People's Liberation Struggle], Marxism-Leninism, self-management, fraternity-unity, Marshal Tito—have never existed in this form outside the barracks, not even in theory. Civilian life, regardless of how often soldiers have talked about it with scorn, has gone on. And now there remains nothing of these "very foundations" of society for which every member of the YPA—according to their oath—is "ready to lay down his life."

We hear people say that in the northwestern part of the country efforts are in fact under way to achieve the "perfidious" dismemberment of the Army. In the current situation this may even sound reassuring, but unfortunately it is not even half true. In fact, this YPA is its own worst enemy. It is no coincidence that it has not been able to publicly express even the most innocuous criticism (for example, that the food is not the best). Our generals have been the most competent, our weaponry the most modern, our soldiers the best. ("A country that has youth like ours...") ... An army of supermen! But as is often the case with tribes that live too long in "splendid isolation," degeneration has ensued. The Army was unable to take a look around, and now that it has been forced to look, it is quite naturally surprised. Lt. Gen. Marko Negovanovic, the head of the KOS [Counterintelligence Service] until recently, goes in front of the TV cameras and complains to domestic and world public opinion that no one expected what happened in Slovenia.

The KOS was surprised most of all by the vehemence of the propaganda war on the part of the enemy! But this same army made a "general" out of Sgt. Jansa, an unknown journalist from a youth newspaper, a move that is now costing it its life. The entire Territorial

Defense system (with all the Territorial Defense units) was the "product of this same army"? Only a few months ago, Gen. Kadijevic recalled that this is the "greatest deception against the Yugoslav military." Later analysis will certainly show that one of the most significant "deceptions" was also the Army's attempt to form its own party—the League of Communists-Movement for Yugoslavia. And also the effort to hold on to Tito "even after Tito."

What is sad, then, is the heroism and military bearing of individuals. This time we are not talking about Lt. Grujevic and Maj. Bogdanovic. On the television show "Let Us Address This Question," aside from the many stories about surprise in Slovenia, two people also appeared. A Slovene captain explains that he cannot betray this army; he took an oath, and he believes that what it is doing is completely proper. A soldier says, "My mother called me to tell me to come back, but I said that it was out of the question until I fulfill my obligation." Respectable people! But how many such people are there today who are "ready to give their life," convinced that there is a purpose behind all of this and that the outcome is certain? A unit of the Territorial Defense in Tuzla, afraid that it will be sent to Slavonia to "separate the quarreling sides," is laying down its weapons and going home.

Despite the barrage, Serbian President Slobodan Milosevic, almost like "the last of the Mohicans," is holding steadfastly to this course when he says that the readiness of this republic "must be declared for now: first, within the framework of the YPA, and second within the framework of our own armed forces, which comprise units of the Territorial Defense of Serbia." This type of move has fewer and fewer supporters even in Serbia. First, because of the extreme uncertainty about how all of this could be carried out; and second, because the president himself has not proven to be the best appraiser of "major issues" (saving the LCY [League of Communists of Yugoslavia], nonpartisan democracy, a modern federation...). And in this situation, the risk is incomparably greater. The greatest, in fact.

Every hour we hear the same question: Is there a general in this army who could...Whatever people think about themselves, it is utterly clear that even if some sort of Yugoslavia survives, it will not need this type of army. This is not some sort of prophesy. Social laws, although slightly delayed, are nevertheless as strong as the law of gravity. Thus, imagine today (regardless of how inconceivable it is) that the YPA has defeated the Territorial Defense, has occupied the "main" border crossings. What would be the result of that? An even stronger propaganda war, stronger attacks on barracks, greater antipathy and hatred by the local population, greater pressure on the soldiers' families. The Army, such as it is, has no defense against these attacks. As the producer and seller of this noble, nebulous product embodied in the words "fraternity and unity," it simply no longer has any buyers here.

YPA, Slovene Conflict Seen as War Within Army
91BA0906C Belgrade BORBA in Serbo-Croatian
11 Jul 91 p 7

[Article by Dj. Martic: "War Within One Army"]

[Text] The armed conflict between the territorial defense forces and the Yugoslav People's Army [YPA] in Slovenia, in constitutional terms, is a conflict within the armed forces of Yugoslavia.

This is the only possible conclusion after reading Yugoslavia's fundamental legal documents, provided that one accepts that this state still exists.

The political and propaganda war at the time of the decision on secession has grown into the real speech of weapons, which, as Clausewitz would say, is only the conduct of politics by other means.

After intensive negotiations, if everything goes back to the beginning, or at least close to it, the armed forces will again be united, at least constitutionally and at least for some time. What will really happen, however, remains to be seen, because it still depends less on constitutional proclamations than on the balance of power, and not just in connection with Slovenia.

Parallel Forces

In any case, the SFRY Constitution is a precious document, at least because it demonstrates why such a terrible armed conflict occurred within the unified armed forces of the SFRY, with consequences that still make a normal person shudder.

Specifically, the SFRY's armed forces are unified, according to the second paragraph of article 240 of the SFRY Constitution. They are composed of the YPA and the territorial defense forces.

While this document imposes and permits the subordination of the YPA forces to the SFRY Presidency, as the commander in chief (through the Federal Secretariat for National Defense), the same could not be said of that other part of the Yugoslav armed forces—the territorial defense forces.

Article 239 of the SFRY Constitution, in fact, says in its second paragraph that it is the right and duty of opstinas, autonomous provinces, republics, and other sociopolitical communities to regulate and organize national defense and to supervise the territorial defense forces, each in its own territory, in accordance with the national defense system.

Explaining this article of the Constitution, Mile Stojkovic, a military science instructor at the Defense School in Belgrade, says that parallel armed forces have arisen within the unified armed forces of the SFRY.

"Territorial defense forces, as part of the armed forces of the SFRY, are also under the command of the SFRY Presidency, but since the territorial defense forces are augmented in the republic, a horizontal connection—with the republic leadership—also began to function in

addition to the vertical one with the SFRY Presidency. This horizontal connection is so strong that in one hour the Slovene territorial defense forces were subordinated only to the Slovene authorities."

In the circumstances in which the political breakup of the country occurred through a unilateral act of secession, the conflict easily shifted from a political level to a military one.

"The essence of the military profession is to professionally carry out the tasks imposed by politics, in circumstances in which it sets clear goals. Then, if force is also necessary in order to achieve a political goal, the military machine is put into operation. It carries out the task according to military rules. That also applies to Yugoslavia, but, unfortunately, it also happened in Slovenia," states Mile Stojkovic.

He also finds a parallel with this situation in history, in the former Serbia, with the example of the Timok rebellion. When it was time for weapons, King Milan summoned Army General Tihomir Nikolic, and told him that the rebellion had to be suppressed.

"Thus, King Milan, who was also the military commander in chief, defined the political goal, but left everything else to a professional in military matters. The latter just stated what he needed to carry out the order. Then the general prepared a professional military plan of operations in accordance with his military trade, established the order of battle, occupied the necessary positions, and only appeared before the king when everything had been finished," Stojkovic says.

In any case, this expert on military issues says, the situation is in the hands of the politicians, and above all, the SFRY Presidency. The Army does not have any reason to act on its own account unless it is attacked.

The fact that the political conflicts have become red-hot is also indicated by the armed struggles in Slavonia. A guard has also been established there—the beginning of a Croatian army—along with an appalling growth in the Croatian militia, with clear political goals. There were also party considerations of a republic army in Serbia, but the state there adhered to the concept of a territorial defense force.

After the decisions on this, the public also recently saw Serbian President Slobodan Milosevic visiting Serbian Territorial Defense units at their exercises in Vojvodina.

With the lack of other information about Serbia's orientation, only documents are available for the time being.

Thus, article 72 of the Serbian constitution says that this republic, among other things, also regulates its own defense and security. Article 73 says that the Serbian People's Assembly decides on war and peace.

What the Serbian Constitution Says

Somewhat further on in the constitutional powers of the president of the republic, it says that he heads the Armed Forces in peace and war, and the national resistance in wartime. He is empowered by the Serbian constitution to

order general and partial mobilization, and to organize preparations for defense. In circumstances in which the Assembly cannot meet, the president of the republic determines the existence of an immediate danger of war, or also declares a state of war. He is supposed to obtain an opinion from the prime minister for both of these actions.

The Serbian constitution also deals with defense issues in several other articles, but it is obvious that territorial defense is not mentioned anywhere. It is very much present, however, in the Law on the Nationwide Defense of Serbia.

In any case, it is obvious that by refraining from its own army, Serbia is siding with those who support a joint defense of at least the remnant of Yugoslavia. Its own army is only an extreme step, and it cannot be ruled out either, if circumstances require it.

Serbia is also mobilizing territorial defense forces itself, and the units mobilized in that way were the ones that Slobodan Milosevic visited. The partial mobilization of the YPA reserve forces, however, which were seen, among other things, in a tank column on television, was carried out by the YPA itself.

In fact, everything is taking place completely in accordance with the new law on the defense of Serbia. Here the territorial defense forces are defined as part of the unified armed forces of the SFRY, obligated to protect the independence, sovereignty, territorial integrity, and constitutional order of the SFRY and the Republic of Serbia.

[Box, p 7]

What Croatia Is Counting On

Through its decision on creating its own army, Croatia clearly let it be known what its attitude was concerning unified defense and the concept of the unified armed forces of the SFRY.

Since the population there is armed with infantry weapons and possibly also armored personnel carriers, and therefore very vulnerable without the support of the full strength of technology, this republic is also counting on disassociation from the YPA and on part of what the YPA possesses.

In that division, Croatia calculates that it should get 200,000 to 250,000 light firearms, which belonged to its territorial defense force. Croatia is also seeking 400 medium tanks, 220 armored personnel carriers, 440 heavy cannons and howitzers, 32 multiple rocket launchers, and also 1,280 mortars, 840 recoilless guns, 580 antitank guns, 460 antiaircraft guns, and 80 antiaircraft missile launchers.

Croatia is also counting on 91 airplanes, 40 helicopters, 10 transport aircraft, 13 reconnaissance and communications aircraft, and 40 training aircraft. According to reporting by NARODNA ARMIJA, this republic is also counting on three antiaircraft missile batteries and the same number of classic antiaircraft artillery regiments. The Croatian Navy would get one submarine and 40 warships, as well as 69 heavy shore cannons and one launching battery with guided shore-to-sea missiles.